

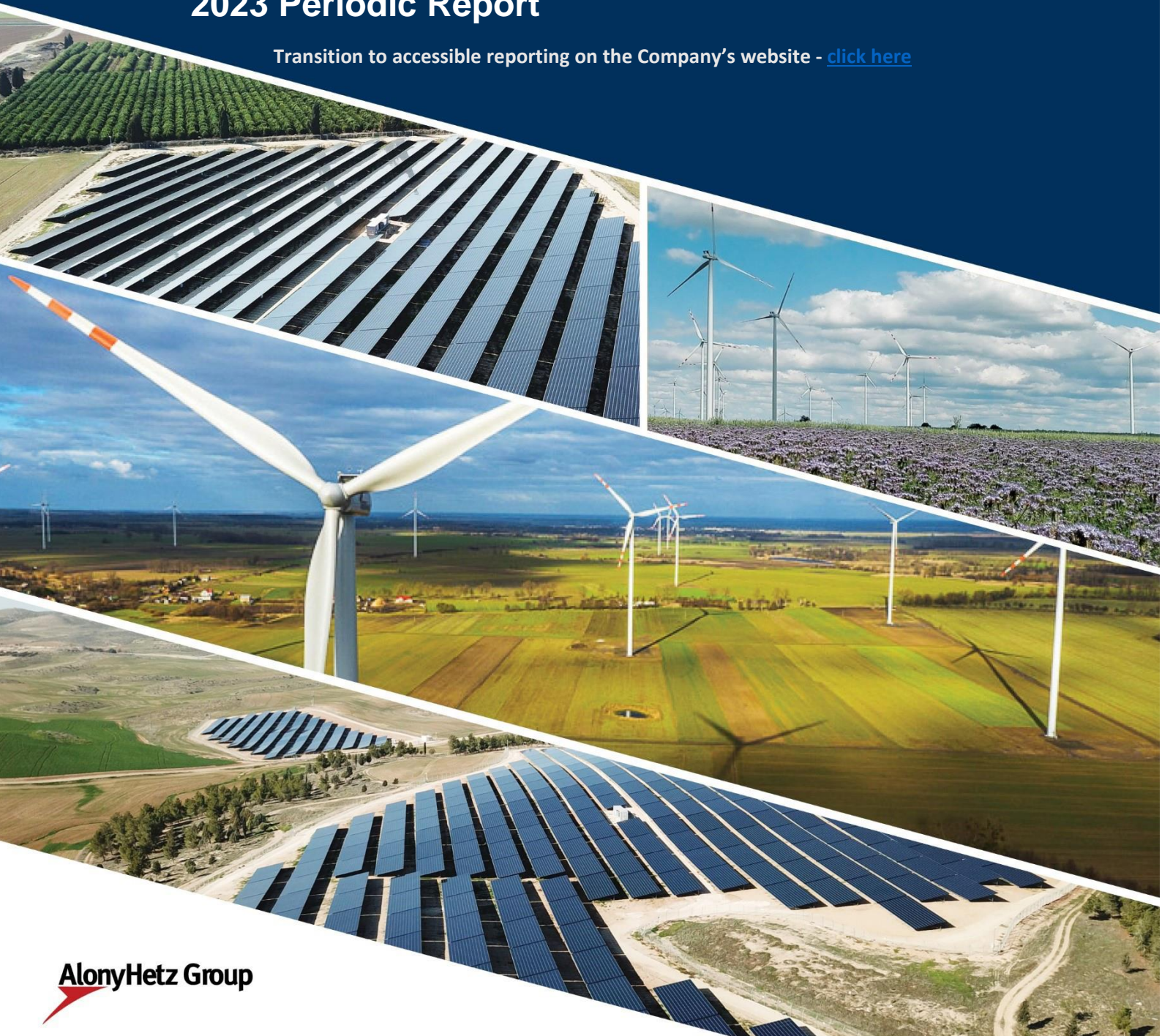


**ENERGIX**  
RENEWABLES

# Energix - Renewable Energies Ltd.

## 2023 Periodic Report

Transition to accessible reporting on the Company's website - [click here](#)



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## Chapter A - Description of the Corporation's Business

The Company is pleased to present the chapter "Description of the Corporation's Business" for the year ended December 31, 2023 (the "**Report Date**" and the "**Reported Period**"), which includes a description of the Company and of the development of its business affairs during the Reported Period through March 5, 2024, the Approval Date of the Financial Statements (the "**Report Approval Date**").

For definitions of the terms which were used in this chapter, see Note 1 in Part C - Financial Statements.

### Description of the general development of the Company's business affairs

#### **1. The Company's activity and description of the development of its business affairs**

Energix - Renewable Energies Ltd.<sup>1</sup> ("**Energix**" or the "**Company**") was incorporated in Israel on December 7, 2006 as a private company. In May 2011, the Company became a public company, and its securities were listed for trading on the Tel Aviv Stock Exchange Ltd. (the "**Stock Exchange**"). Alony Hetz Properties and Investments Ltd. ("**Alony Hetz**") has been the Company's controlling shareholder since it was founded.<sup>2</sup>

The Company is engaged, independently and through subsidiaries and partnerships which are wholly or jointly under its control (hereinafter, jointly: the "**Group**"), in the development, development, financing, construction, management and operation of facilities for the production and storage of electricity from renewable energy sources, and in the sale of the electricity, which is produced in those facilities, with the intention of holding them over the long term.

Unless expressly stated otherwise, any reference to the Company and its activities is described on the level of the Group.

The Company's activities in the renewable energy market are divided into three segments:

##### **1.1 Activity for the production of electricity through photo-voltaic technology (the "Photo-voltaic Segment") -**

The Company is engaged in the development, development, construction, financing, management and operation of photo-voltaic systems, with the aim of holding such systems as the owner over the long term. As of the Report Approval Date, the Company has wholly owned activities in the Photo-voltaic Segment, or as part of its activities within the framework of joint ventures which it formed with partners in Israel.

For more information regarding the Company's activity in the Photo-voltaic Segment, and for details regarding the systems which it owns, see Section 7.1 below.

##### **1.2 Activity for the production of electricity through wind turbines (the "Wind Energy Segment") -**

The Company is engaged in the development, development, construction, financing, management and operation of wind farms for the production of electricity, with the aim of holding them as

<sup>1</sup> The Company was incorporated in 2006 under the name Amot Mikbatzim Ltd., which was subsequently changed to Amot Energy Ltd. In 2009, and later changed to Energix - Renewable Energies Ltd. In 2011.

<sup>2</sup> To the best of the Company's knowledge, as of the Report Date, Alony Hetz is a company without a control core. For more information see Regulation 21A in Part D of the Report - Additional Details.

owner over the long term. As of the Report Approval Date, the Company has activities in the Wind Energy Segment which are wholly owned and owned jointly with partners in Israel and in Poland.

For more information regarding the Company's activity in the Wind Energy Segment, and for details regarding the systems which it owns, see Section 7.2 below.

**1.3 Energy storage operations ("Storage Segment")** - The Company is engaged in development, construction, financing, management and operation of systems in the Storage Segment, with the goal of long-term ownership. As of the Report Approval Date, the Company had operations in the Storage Segment in Israel, in the USA and in Poland.

For details regarding the Company's activity in the Storage Segment, and for details regarding the systems owned by the Company, see Section 7.3 below.

**1.4 Total capacity of Company systems –**

As part of the Company's overall activities in Israel, the USA and Poland, the total capacity of its systems is 1,279MW in projects in commercial operation, 533MW and 318MWh (storage) in projects under construction and in pre-construction, 473MW and 136MWh (storage) in projects in advanced development, 6.1GW in projects in development<sup>3</sup>, and 6.6GWh in projects in development in the Storage Segment.

**For quantitative data regarding systems in commercial operation, systems under construction, the Company's development operations and estimated forecasts in respect of the Photo-voltaic Segment, Wind Energy Segment and Storage Segment, see Section 4.1 in Part B of the Report - Board of Directors' Report.**

**1.5 Business model of the Company's activity**

The Company's vision is to be a global green utility. As part of this vision, the Company has set the goal of taking on an active and leading role in the green energy revolution. The Company focuses on operating segments involving the production of electricity from photo-voltaic energy and wind energy, as well as energy storage, in a limited number of territories which feature strong economic characteristics, stable energy markets, and strong growth forecasts in the Company's fields of activity.

**The Company's activities include the development, development, financing, construction, management and operation of facilities for the production of electricity from renewable energy sources and electricity storage, and in the sale of the electricity which is produced in those facilities, with the intention of holding them, as the owner, over the long term.**

<sup>3</sup> **Commercially active projects** are projects whose construction has been completed, and where the electricity produced therein is transmitted to the relevant power grid; **Projects under construction or in pre-construction** are projects of the Company which are currently under construction, or whose construction is expected to begin in the near future; **Projects in advanced development** include the series of Company projects which the Company estimates can reach a financial closing or readiness for construction within the next 12 months, or projects in development stages which have won a guaranteed tariff; **Projects in development** include the series of Company projects in various stages of development, which may mature into projects under construction, regarding which the Company has ties to the land, and regarding which the Company is working to obtain, or already has, the permits and authorizations which are required for their construction. **The series of mature projects** includes projects in commercial operation, partially completed and/or partially connected projects, projects in construction and in pre-construction, and projects in advanced development.

On the project development and development level, the Company works intensively, independently or together with partners, on expanding its series of owned projects, in various stages of development. The Company's emphasis on the promotion of projects from the development stage onwards allows the Company to enjoy excess returns from the projects it constructs. As part of the above, the Company works, *inter alia*, on identifying suitable sites and areas, engaging with land owners, planning and promoting statutory plans by virtue of which the projects can be built, engineering, electrical and civil project planning, and obtaining the regulatory and statutory permits and licenses required for the construction of each project. Additionally, the Company is working, in particular in the USA, on creating, long term relationships and collaborations with entrepreneurs and companies in the energy entrepreneurship sector, both large and small, which allow the Company to acquire projects in various stages of initiation, and to maximize the potential returns therefrom.

Note that the Company, in the normal course of business, manages and contracts MOUs and transactions to acquire projects. The Company also routinely evaluates possibilities for entry into additional operating segments, or operating segments which offer synergies with its existing operating segments.

The financing for the construction of the projects is mostly provided through a combination of self-financing and project financing. The project finance transactions to which the Group is party in Israel and Poland are executed on a non-recourse basis on the level of the special purpose entity ("SPV") that holds the project, usually at a rate of 80-85% in the Photo-voltaic Segment, and at a rate of 75%-85% in the Wind Energy Segment, out of the total construction cost of the projects (including payments to related parties). The repayment of the financing is secured by the SPV's assets and the rights thereto only, excluding exceptions which have been agreed upon, such as investment of the equity undertaken by the SPV's owners, and an undertaking to avoid cost overflows in the construction of the projects. In the USA, the financing structure involves engagement with a financial institution to provide construction financing, later to become Back Leverage financing following the construction period on a non-recourse basis, in addition to realizing the ITC tax credit, as part of contracting with a tax partner. The ITC tax credit is also realized in conjunction with sale of entitlement to the tax credit. In total, project financing in the USA is at 85% of cost for the project company (including development and contractor profit).

The Company operates a One-Stop-Shop model which guarantees the professionalism and optimization of the Company's entire value chain in respect of its owned projects, from the initiation and construction stages through to the commercial operation stage, thereby maximizing the returns from the projects. In this regard, the Company has an independent, high-quality development infrastructure in each of its 3 operating territories, while developing expertise in the development and planning stages. Additionally, for the purpose of promoting the activity of project construction and operation in the Photo-voltaic Segment, the Company has a local contractor operation with independent engineering, procurement and construction units in Israel, Poland and the USA, as well as an operational branch which serves to routinely monitor and operate the entire series of projects in the commercial operation stage. The construction services and operating services are given to an SPV which holds the project against the payment of management fees, or according to a cost plus overhead model, including the contractor profit which the Company is entitled to receive in consideration of its services to the project companies. The Company also charges management and development fees from the project companies in respect of the services it provides, until the commercial operation stage.

The Group has also worked, and is continuing to work, on forming strategic collaborations and engagements with leading equipment suppliers and contractors for the purpose of promoting its activity.

**Presented below are the assets and capabilities which the Company has developed with the aim of ensuring its relative advantage:**

- a. **Focus on operating segments** - Photo-voltaic solar, wind energy and electricity storage; working in conformity with a regular plan set forth in a strategic long-term work plan;
- b. **Focus on territories** - Focusing on specific territories in order to ensure control and specialization vis-à-vis the operating markets, as well as identification of other countries in which the Company may have a relative advantage;
- c. **One-Stop-Shop** – Professional specialization and strong ability to execute throughout the entire value chain, beginning from the preliminary development, which allow the Company to enjoy excess returns;
- d. **Activity through local territorial structures** - Building a local and independent organizational infrastructure in each territory, which has the professional skills, creativity and execution capability to facilitate the completion of complex tasks, and to maximize returns;
- e. **Professional, agile and task-focused execution capability** - Expertise in the development, planning and execution of complex projects, including the ability to reach financial closing, dealing with barriers and complex engineering challenges, and financial complexity, which create a relative advantage for the Company;
- f. **Business ties and strategic collaborations** with leading entities in the market, such as First Solar, Axpo, EBRD, Banco Santander, Vestas, Morgan Stanley and financial institutions in Israel. Strategic and long term collaborations of this kind, in which the Company usually engages, ensure the continuity and quality of supply of equipment required for the Company's operations, while also maintaining price levels and advance preparation, often allowing the Company to significantly improve the commercial contracting terms. The Company believes that such collaborations with leading global companies are supportive of the Company's ability to achieve its goals, primarily in the USA, thus forming a strong basis for the Company with further growth opportunities in the coming years.

### **ESG:**

Beyond the above, and beyond the fact that the Company's commercial activity is entirely focused on the production of green energy from renewable sources, the Company also emphasizes the creation of added value, as reflected in its "triple win" strategy: contributing to the environment, contributing to the community, and adding value to the Company's activities. This activity, along with the existence of proper corporate governance, based on the values of transparency, leadership and professionalism, create added value for the Company, in a way that allows the sum to be greater than its parts.

In 2021 the Company published its first corporate responsibility report, which includes details regarding the environmental, social and economic impact of the Company's global activity in the initiation, construction and operation of facilities for the production of electricity from renewable energy, as of 2020. In August 2022, the Company published its second corporate responsibility report, while presenting a significant improvement on various ESG metrics relative to the report which was published last year. Additionally, in this report the Company published a road map, as well as short term and long term goals.

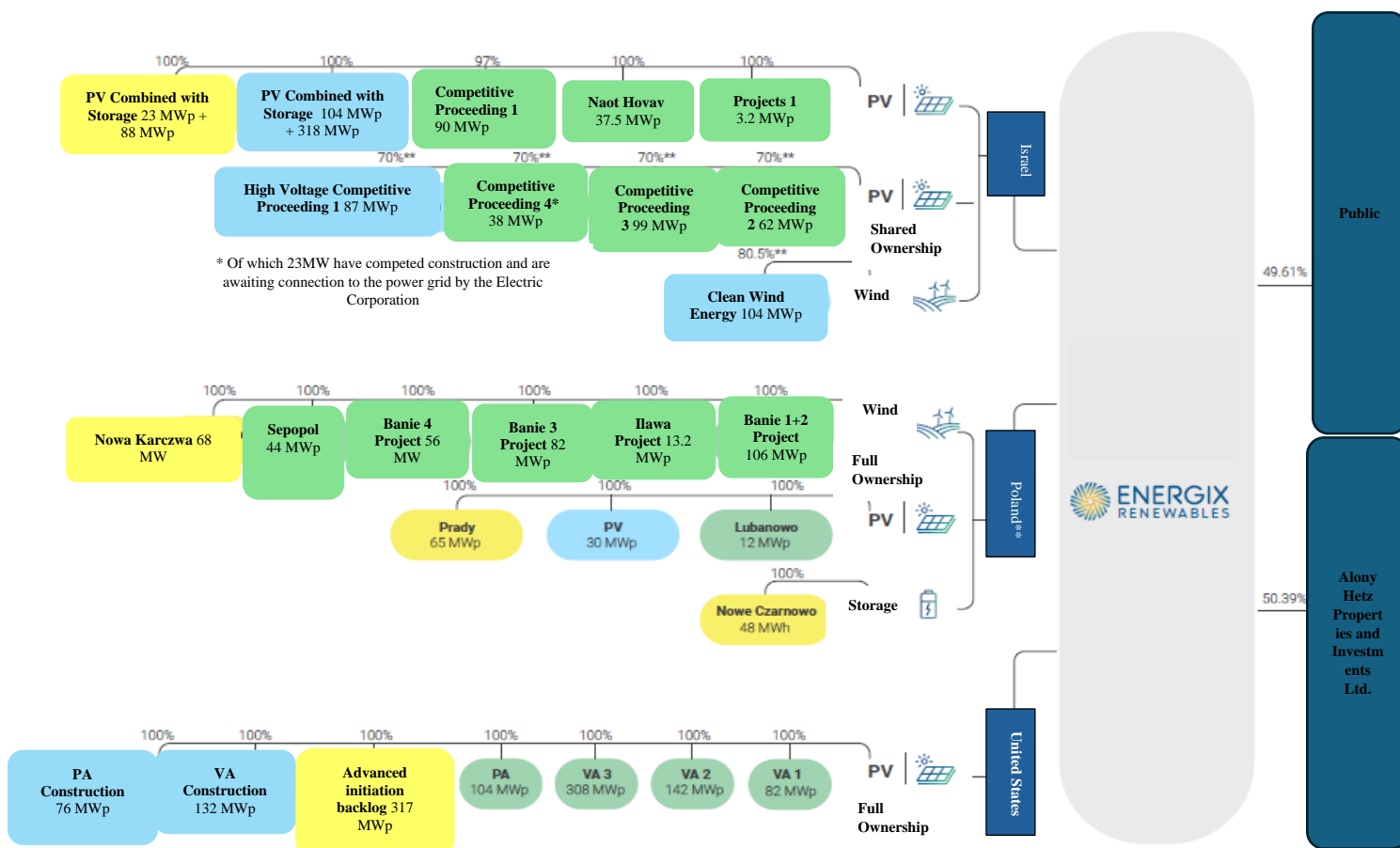
For more information, see Section 3.6 in Part B of the Report - Board of Directors' Report.

**Reference to Forward-Looking Information and to external information sources**

The chapter "Description of the Corporation's Business", which includes a description of the Company, its development and its operating segments, includes, from time to time, reference to forward-looking information, as this term is defined in Section 32a of the Securities Law - 1968 ("Forward-Looking Information"). Accordingly, any reference in this report to "forward-looking information" means any forecast, estimate, approximation, or other information which refers to future events or matters, the materialization of which is uncertain and is not under the exclusive control of the Company and/or the Group. This information is based on knowledge which is available to the Company or to the Group as of the Report Approval Date, or on information which was published in external sources, and may change, inter alia, due to the effects of business-economic and regulatory variables, and of the general risk factors which are characteristic of the Company's activity, and which are therefore uncertain to materialize. Accordingly, the actual results in respect of such information may differ significantly from the presented information or from the results which have been estimated on the basis of the information, or are implied by such information, and which are included in this report.

**2. Holding structure**

Below is the Company's primary holding structure as of the Report Approval Date:



■ Projects undergoing commercial operation   ■ Projects under and approaching constructions   ■ Projects in advanced stages of development

\*\* Jointly owned projects, with the Company's share of the cash flow greater than its holding rate   \*\*\* Through international holdings structure

**Below is additional information about the holding structure chart:**

- Company holdings in photo-voltaic projects in Israel, with capacity of 263MWp, refer to the Company's share of holdings in the project company at 74%, with the town providing the land for this project holding a 26% stake, in conformity with ILA resolutions. Through full repayment of the financing provided by the Company for project construction, the Company has precedence in the free cash flow.
- The entire Company-owned project backlog is indirectly held by multiple corporations (SPVs), typically these are partnerships or companies that are the General Partner in partnerships, in a holding structure that allows for contracting non-recourse financing transactions, such that the entire holdings in the project backlog may be pledged to the financing provider, as customary for each of the territories (sometimes, the place of incorporation may be in different countries and with an international holding structure, in order to maximize tax planning for Company operations).
- It is hereby clarified that the Company usually has priority rights to the cash flows generated by jointly owned projects, at least up to the amount required to repay the loans which it provided for those projects, plus an interest rate which reflects the risk involved in providing the finance, or in which the Company has preferred shares which give it priority in the distribution of free cash flow balances from the Group's member corporations. Accordingly, its rights to the distributable cash flows from those facilities are greater than the Company's ownership rates in facilities which are held jointly with partners. For more information see Section 4.1 in Part B of the Report - Board of Directors' Report, and Note 10 in Part C of the Report - Financial Statements.

**3. Investments in the Company's capital and transactions with its shares**

For information about investments in the Company's share capital, see Note 16 in Part C of the Report - Financial Statements.

**4. Dividend distribution and dividend policy**

**4.1. Distributions during the last two years:**

During the last two years, the Company declared and distributed dividends on the following dates, and in the following amounts:

Date of the resolution to distribute the dividend	Total amount of the distributed dividend (NIS in millions)	Dividend amount per share (In agorot)
March 10 2022	Around 26	5
May 18 2022	Around 26	5
August 10 2022	Around 26	5
November 14 2022	Around 27	5
Feb. 26 2023	Around 137	25
May 14 2023	Around 38	7
August 8 2023	Around 38	7
November 12 2023	Around 38	7

Distributable earnings as of December 31, 2023 amounted to NIS 164.4 million.

**4.2. Adoption of multi-year dividend policy and dividends for 2024**

The Company's Board of Directors, in its meeting on March 8, 2021, resolved to adopt a multi-year dividend policy, in consideration of the Company's continued growth, and in accordance with its needs.

In accordance with the policy that was adopted, the Company will announce each year, proximate to the approval of its annual reports, the dividend amount which the Company intends to distribute in respect of that year. The amount of the annual dividend will be divided into 4 quarterly payments, whereby in light of business considerations, and in accordance with the provisions of any applicable law, the Board of Directors will be entitled, at any time, to make adjustments or to change the amounts which are distributed as dividends, or to decide not to distribute dividends at all.

For more information about the Board of Directors' resolution dated March 5, 2024, setting the 2024 annual dividend amount at NIS 0.40 per share and, accordingly, a distribution for the first quarter of 2024 at NIS 0.10, as well as a resolution concerning a further dividend distribution with respect to the Company's operating results in 2023, amounting to NIS 0.20 – see section 3.5 of the Board of Directors' Report and the immediate report issued concurrently with this report.

In accordance with the above, the Company announced a dividend distribution for the first quarter of 2024 in the amount of NIS 0.30 per share (NIS 164 million in total), which will be paid in March 2024.

#### 4.3. Restrictions on dividend distributions:

- a. **Restrictions by virtue of bonds:** It is Noted that the trust deed for the bonds (Series A) which were issued by the Company on December 12, 2019, in accordance with a shelf offering report which was published by the Company in an immediate Report Dated December 11, 2019 (reference number 2019-01-108447), and the trust deed for the convertible bonds (Series B) which the Company issued on September 6, 2020, in accordance with a shelf offering report which was published by the Company in the immediate Report Dated September 3, 2020 (reference number: 2020-01-098259) (hereinafter, jointly: "**Trust Deeds**"), include an undertaking by the Company not to perform a distribution (as this term is defined in the Companies Law - 1999) unless it has fulfilled the financial undertakings applicable to distributions, as specified in the Trust Deed. For additional information, see Note 14 in Part C of the Report - Financial Statements, and Section 5.4 of the Trust Deeds.
- b. **Restrictions by virtue of financing transactions:** For more information regarding various restrictions and provisions which apply to the performance of distributions and monetary transfers by the Company or subsidiary entities of the Company, by virtue of financing agreements which were provided for projects which it owns, see Note 14 in Part C of the Report - Financial Statements.

Except for the above, and except for the restrictions prescribed in law, no other restrictions apply to dividend distributions by the Company.

#### Other information

##### 5. Financial information in respect of the Company's activity

For more information regarding the statement of financial position (balance sheet) and the Company's results of operations, see Chapter C of the Report - Financial Statements.

During the Reported Period, the Company had income from the Photo-voltaic Segment in Israel, in the USA and in Poland and from the Wind Energy Segment in Poland. Expenses reflect amounts which are attributed to the Photo-voltaic Segment and the Storage Segment in Israel, in Poland and in the USA, and to the Wind Energy Segment in Israel and in Poland. For more information regarding each operating segment, see Note 29 in Part C of the Report - Financial Statements.

For quantitative data regarding the current systems, systems under construction, the Company's initiation activities, and estimated forecasts in respect of the Photo-voltaic Segment and in the Wind Energy Segment, see Section 4 in Part B of the Report - Board of Directors' Report.

## 6. General environment and impact of external factors on the Corporation's activities<sup>4</sup>

### 6.1 Overview:

In light of recognition of the need to act in order to curb climate change and greenhouse gas emissions, many countries, including Israel, are encouraging investment in the construction of facilities for the production of electricity from renewable energy sources, and are developing various regulations for the sale of electricity from such sources. As of the Report Date, more than 190 countries around the world are promoting policies to support the production the Report Date of electricity from renewable energy sources<sup>5</sup>, whereby according to the forecasts, in 2050, renewable energies are expected to provide 84% of electricity consumption in Europe, and 65% of electricity consumption in the USA<sup>6</sup>. According to estimates, in order to meet the commitments and targets which countries around the world have set for themselves regarding the transition from fossil fuels to renewable energy, a cumulative investment of USD 195 trillion is required until 2050<sup>7</sup>.

As time goes by, international mega-corporations such as Apple, Meta, Google, Microsoft, and others, set for themselves targets of 100% clean energy consumption (Net Zero) by 2030. As part of the RE100 initiative<sup>8</sup>, as of the Report Date, over 400 corporations have stated their intention to reach Net Zero, with the total demand for electricity from renewable sources, of all corporations participating in this initiative, exceeds 500TWh.<sup>9</sup>

Accordingly, the investment around the world in the transition to energy sources emitting low amounts of CO<sub>2</sub> is on an uptrend: in 2023, over USD 1.8 trillion was invested around the world in sectors supporting the transition to the use of low carbon footprint energy, including electricity storage, electric and hydrogen vehicles, and various renewable energies, an increase of 40% relative to the corresponding period last year. The sector receiving the highest investment amount was the renewable energies sector, which attracted investments of over USD 600 billion<sup>10</sup>. The chart below shows the growth in investment in sectors supportive of the transition to using energy with a low carbon footprint:

<sup>4</sup> This chapter in general, and this section 6 in particular, include various data points which are based on various studies and websites. It is Noted, unless expressly stated otherwise, that the Company did not request, and certainly did not receive, the consent of the authors of the aforementioned studies and websites, for the purpose of including said information in this report, and said information has been made public, and is public knowledge, to the best of the Company's knowledge. Additionally, the Group's member companies did not conduct any evaluation regarding the correctness, accuracy, or current status of the data provided in the aforementioned reviews, publications and studies, and no evaluation was conducted by the parent company regarding whether or not the basis for the foregoing estimates was correct, or accurate.

<sup>5</sup> Renewables 2023 – Global Status Report (REN21).

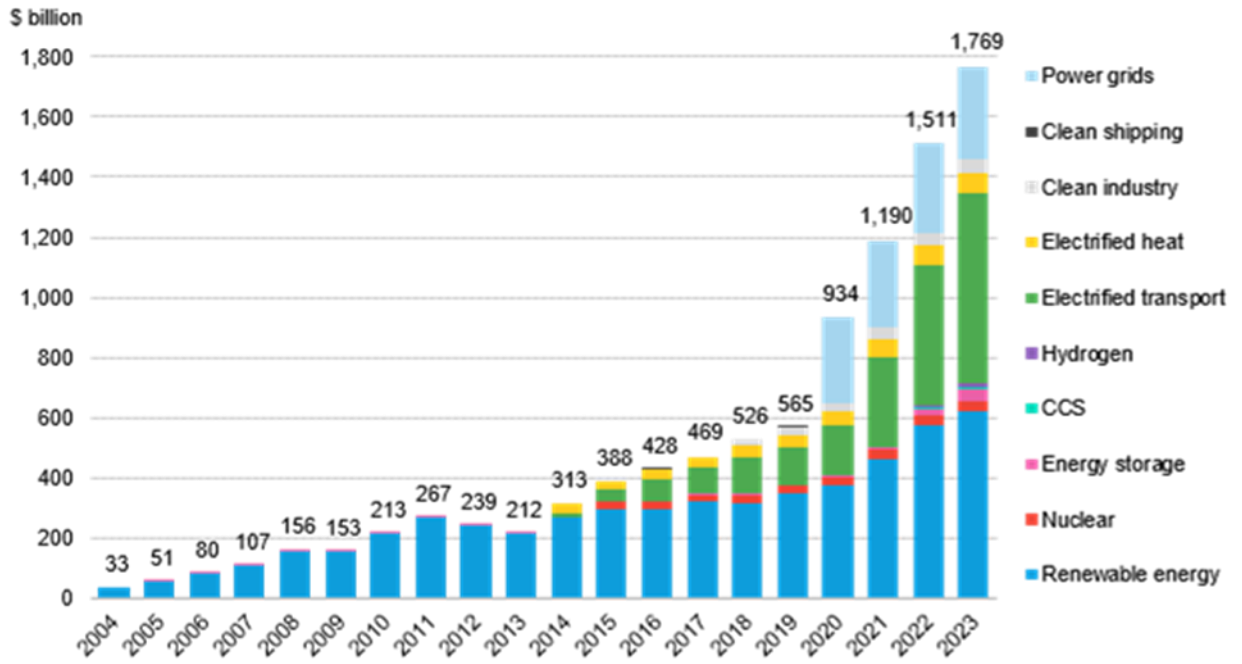
<sup>6</sup> RE100 Annual Disclosure Report 2022 (January 2023)

<sup>7</sup> RE100 Annual Disclosure Report 2022 (January 2023)

<sup>8</sup> <https://www.there100.org/our-work/news/re100-members-now-consume-more-electricity-year-france>

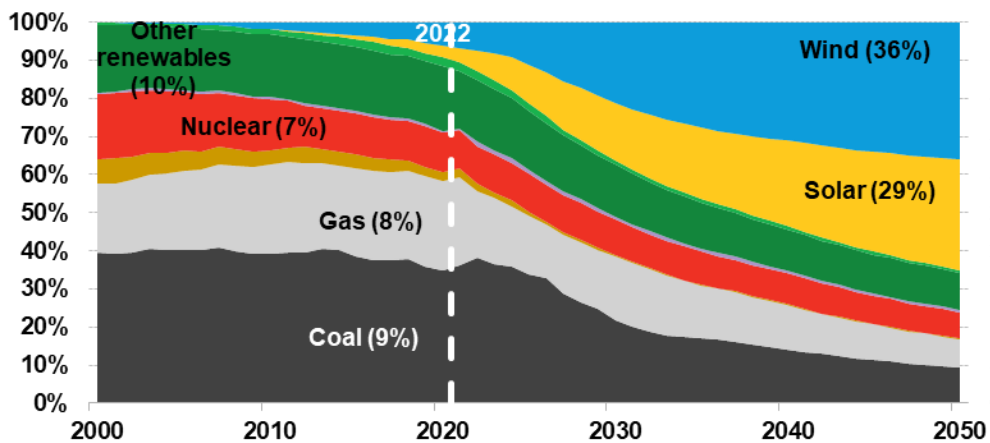
<sup>9</sup> Renewables 2023 – Global Status Report (REN21)

<sup>10</sup> BloombergNEF Energy Transition Investment Trends 2024.



It is Noted that in light of the decrease in the cost of electricity generation from renewable energy sources and the projected increase in demand for electricity and in electricity prices, the economic profitability of the construction of such facilities has increased, even in market conditions without supportive regulations.

Presented below is a graph demonstrating the mix of global electricity generation sources in the past, and to the forecast until 2050<sup>11</sup>, based on the base scenario of BNEF:



Additionally, in recent years recognition has increased for the need to integrate electricity storage solutions, in light of the possibility of using them to integrate renewable energy sources efficiently, and to help with the grid's stability and availability. As a result of the legislative update in the USA, primarily the Inflation Reduction Act, the forecast for the global energy storage market increased, and the estimates for energy storage systems refer to a capacity of 1.2TWh by 2030, an increase by 13% relative to the prior forecast.

<sup>11</sup> New Energy Outlook 2022 - BNEF

## 6.2 Macro-economic events affecting Company operations:

In the reported period, several key macro-economic events took place, which may affect Company operations:

### Overview:

- (i) **Foreign currency exchange rates** – In the Reported Period, the PLN was revalued against NIS and EUR, and the NIS was devalued against the foreign currency basket, including PLN and USD. The stronger PLN and USD have a positive effect on the Company's operating results, as more than half of Company revenues and net income are in PLN.
- (ii) **Inflation and interest environment** – In view of the global trend of rising price levels, due inter alia to economic and geopolitical events such as the coronavirus pandemic, war in the Ukraine and the energy crisis, in early 2023 we saw inflationary pressures and adoption of monetary restriction policies involving raising interest rates in countries where the Company does business. Consequently, 2023 ended with more moderate, or even a drop in inflation. At year end, inflation in the USA was at 3.4% annualized, in Israel – at 3% and in Poland – at 6.2% (compared to 14% in 2022).

The increase of interest rates could lead to an increase in the Company's financing expenses. Notwithstanding the above, in accordance with the Company's strategy, the Company usually engages in a series of agreements and commitments which result in the hedging of future exposure to interest rate increases (e.g., hedging transactions in respect of the base interest rate). This method creates a situation whereby higher interest rates are not expected to have a significantly adverse effect on the Company's results.

In light of the more moderate inflation, there has also been a trend of central banks around the world lowering interest rates. Thus, in Poland, the interest rate as of the report approval date was at 5.75% per year, whereas for most of 2023 it was at 6.75%.

The lower interest rates should have a positive effect on business in territories where the Company operates, including in the Company's operating segments. Interest rates may affect Company decision making with regard to construction and financing of new projects.

Additionally, all matters pertaining to inflation, in respect of project finance in Israel, the Company's loans are CPI-linked, but so are the Company's revenues from projects in Israel and also in some of the projects in Poland.

In light of all of the above, the Company believes that the adverse impact of the interest / inflation rate in the short and medium term will not have a significantly adverse effect on the Company's activity. In light of the above, the Company is expected to take out loans which may be affected by the increase in the interest or inflation rate.

- (iii) **Lower lithium prices** – In 2023, the price of lithium, the major raw material used in manufacturing storage batteries, dropped by 80%. This was primarily due to lower demand for electric vehicles in major markets. The lower lithium prices should have a positive impact on future transactions to purchase storage equipment.

**USA:**

- (iv) **Continued growth trend in demand for green energy in the USA** – In the reported period and through the report approval date, the trend of increasing demand for green energy continued. The Company believes that this trend may create opportunities for the Company with regard to significant business collaboration with leading entities, to promote Company operations in the USA, which the Company is considering.

**Israel:**

- (v) **Swords of Iron War** – On October 7, 2023, the Swords of Iron War broke out and is still ongoing. This war may have macro-economic implications, including higher CPI due to staff shortages, a weaker NIS vs. foreign currencies, higher interest (or avoidance of lowering interest) rates as part of a restrictive monetary policy, or implications of the lowered credit rating of Israel. However, as of the report approval date, it would appear that these benchmarks have been stable or more moderate, and therefore have no material impact for the Company.

With regard to Company operations, being an essential supplier, and as the Company regards business continuity in the economy to be a national endeavor, the Company continues its operations in Israel, including development, planning and construction – all subject to restrictions and guidance of the Homeland Security Command. Note that through the Report Approval Date, all Company facilities in commercial operation in Israel are generating electricity as per usual.

The Company believes, with regard to its global operations and operating segment, that the war had negligible effect on its operating results in the fourth quarter of 2023. However, the war is expected to result in longer schedules for construction of Company projects in Israel, in the wind energy and photo-voltaic energy segment, and consequently – on timing of start of power sales from these facilities.

For more information about projects under construction in the wind energy and photo-voltaic energy segment and projects under construction and in pre-construction, see section 4.1 in Part B of the Board of Directors' Report.

**Poland:**

- (vi) **Elections in Poland** – In the reported period, elections took place in Poland and a new, liberal government was formed which, as published, has a policy supportive of renewable energies. As published by the newly created government, it intends to amend existing legislation, so as to bolster and to provide incentives for the renewable energy market in Poland. The Company believes that the new government's position, along with significant geo-political changes in Europe and more stable macro-economic data, should result in accelerated growth in the renewable energy industry in Poland.
- (vii) **More modest rise in electricity prices:** In the reported period, and concurrently with interim legislation setting a cap on electricity prices, which was in effect in Poland in the reported period, electricity prices in Poland have declined. However, given the high electricity prices in

Poland in 2022, and the fact that the Company took advantage of these high electricity prices to contract transactions setting the electricity price in 2024 with respect to 72% of expected electricity generation, Company revenues from sale of electricity in Poland in 2024 should be significantly higher than market prices for electricity. For more information about impact of electricity prices on Company revenues in 2023, and forecasts for 2024, see section 3.2(ii) and 3.2(iii) of the Board of Directors Report and Note 10B.(4)(b) in Part C of the report – Financial Statements.

**\*The information included in this section constitutes Forward-Looking Information, as defined in Section 1.5 above.**

### **6.3 The geopolitical situation between Ukraine and Russia, and macro changes in Europe**

Since end of February 2022, the Russian army has been conducting attacks in the Ukraine, a country neighboring Poland, in which the Company has significant operations. This geo-political situation, depending on changes to extent and intensity of this conflict, may have implications for Company operations, due to macro-economic effects such as higher electricity prices, exchange rates and interest rates. However, the war in the Ukraine emphasizes the importance of energy independence and of renewable energy in Poland, in light of the sanctions imposed by some countries on the purchasing of electricity and oil from Russia.

As of the Report Approval Date, the foregoing geopolitical events have not had a significant impact on the Company's activity.

*The Company's estimates regarding the possible implications of the continuation of the foregoing geopolitical situation on Company operations constitute Forward-Looking Information, as defined in Section 1.5 above.*

### **6.4 The renewable energy market in Israel:**

For the past several years, Israel has joined a series of other countries around the world acting to transition to electricity generation from renewable energy sources, foregoing traditional (fossil) energy sources due to their devastating effects on the environment. This trend began showing its effects on the ground, and in 2021-2023, the growth rate of installed renewable energy capacity in Israel rose at an average rate of 35% per year (compared to 16% in 2015-2017)<sup>12</sup>. According to data from the Electricity Authority<sup>13</sup>, as of the end of 2023, total installed capacity for renewable energies in Israel was 5.903GW, of which 89%, or 5.277GW, in photo-voltaic facilities. In 2023 alone, renewable energy generation facilities added to the power grid had a capacity of 1,039MW. At end of 2023, actual consumption from renewable energies in Israel was at 12.5% (8,970MWh, a 35.5% increase from 2022). The potential consumption was at 14.6%.

<sup>12</sup> Status Report – Renewable Energy Targets in the Electricity Market, 2023.

<sup>13</sup> Taken from the new BI system of the Electricity Authority.

In conformity with Government Resolution 465<sup>14</sup>, by 2030, 30% of electricity generation would be from renewable energies, with an interim target of 20% of total energy consumption by 2025. The total capacity required to achieve this interim target is 9.6GW<sup>15</sup>.

Accordingly, a series of resolutions were adopted in Israel, which are updated from time to time, in accordance with updates to the policies of the Ministry of Energy and the government. Highlights are as follows:

- (a) A decision by the Electricity Authority, dated August 2020, listed the guidelines for opening up the provision segment in the electricity market, setting the terms and conditions for operating under this regulation, including obtaining a provider license<sup>16</sup> and quotas. The quotas specified in this resolution were eliminated in a further resolution, dated September 2022, entirely opening up the provision segment to competition. As of the Report Approval Date, there are several key market players which are interested in operating as electricity providers and in purchasing electricity from private electricity producers.
- (b) In 2021, the road map towards a low-carbon economy was issued, specifying a target for reducing greenhouse gases from the energy segment by 80% compared to 2015, no later than 2050. In May 2022, the road map for achieving 2030 energy targets was issued, including a multi-year plan for government ministries in order to achieve the energy targets. Anticipated regulatory measures through 2025 were also made public.
- (c) In conformity with the Electricity Authority resolution on market model for generation and storage facilities in the distribution grid, as from 2024 it would be possible to assign generation facilities to a private provider. This resolution meshes with the updated groups of high-demand hours, which would accelerate the incorporation of storage technology. These decisions open up the electricity sector to competition, and allow any consumer with a smart meter to purchase green energy.
- (d) The Planning Administration has adopted multiple custom outline plans for renewable energies, including for construction of photo-voltaic facilities and wind turbines, and approved other national outline plans that govern photo-voltaic facilities.
- (e) In November 2023, the chapter on energy storage facilities in a national zoning plan<sup>17</sup> was approved, governing the planning and approval of such facilities. In June 2023<sup>18</sup>, the National Council resolved to increase the quota of ground facilities, so as to achieve the target of 30% renewable energies by 2030. It was also decided to eliminate a previous resolution, whereby the Planning Administration would not recommend moving forward with applications for construction of facilities in areas of high environmental sensitivity, which ruled out moving forward with national infrastructure plans in most areas of the country.

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<sup>14</sup> [https://www.gov.il/he/departments/policies/dec465\\_2020](https://www.gov.il/he/departments/policies/dec465_2020)

<sup>15</sup> 2021 report regarding the electricity sector, published by the Electricity Authority, July 2022.

<sup>16</sup> See the Electricity Authority's decision dated August 5, 2020. Decision 58604. Principles for gradually opening up the provision segment to new providers and for provision to home consumers: [https://www.gov.il/BlobFolder/policy/58604/he/Files\\_Hachlatot\\_58604.pdf](https://www.gov.il/BlobFolder/policy/58604/he/Files_Hachlatot_58604.pdf)

<sup>17</sup> <https://www.gov.il/he/departments/policies/dec1049-2023>

<sup>18</sup> <https://mavat.iplan.gov.il/SV4/3/99000064988>

- (f) In December 2023, ILA management<sup>19</sup> set uniform prices payable to ILA with respect to solar energy ventures.
- (g) In November 2023, due to outbreak of the Swords of Iron War war, the ILA Council approved an interim directive, allowing for expansion of labor quotas and land assignment to agricultural settlements near the border region.<sup>20</sup>

Against the trends which support the continued development of the renewable energy market in Israel, there are factors which have a negative impact on the field, including infrastructure limitations on entry capacity into the power grid, objections by environmental organizations and authorities against the integration of renewable energy projects, bureaucracy and regulatory challenges.

For more information about regulations applicable to Company operations in Israel in the Photo-voltaic Energy Segment, in the Wind Energy Segment and in the Storage Segment, see Sections 7.1b(2), 7.2c(2) and 7.3(b)(1)2 below. For more information regarding the legislation which is relevant to the Company's activity in the renewable energy sector, see Section 7.8 below.

### 6.5 The renewable energy market in Poland:

Poland is the largest economy in Central and Eastern Europe (CEE), previously part of the Eastern Bloc, and its renewable energy market is one of the major ones in the EU. Electricity generation in Poland still mostly relies on fossil fuels (primarily coal), and it is considered one of the "polluting" countries in Europe.<sup>21</sup>

The electricity market in Poland is a developed market, and includes the involvement of four local power grid managers (owners of the distribution grid in the main electricity generation regions) which are under the control of the government of Poland, as well as a power exchange, in which many other players are involved. In 2023, the renewable energy market in Poland continued to grow rapidly. By end of 2023, total installed capacity of photo-voltaic facilities in Poland exceeded 17GW, and wind-based facilities exceeded 10GW<sup>22</sup>.

Moreover, 2022 was a turning point in development of the electricity storage market in Poland when, for the first time, electricity storage projects were awarded availability agreements by tender. This was due to a regulatory change that precluded polluting technologies from taking part in availability tenders. This trend was even more pronounced in 2023, where storage accounted for 24% of total awarded capacity in the availability tender (compared to 3% in 2022).

In February 2021 the energy policy plan by 2040 was approved in Poland, in which it was determined that the rate of electricity produced in coal-based facilities decreased from 78% in 2017, to less than 56% by 2030 ("**2030 Targets**"). For the purpose of meeting the 2030 targets and promoting the transition from coal-based energy to renewable energy, Poland is also expected receive an assistance package in an estimated total of EUR 76 billion. In the reported period, demand in the Polish market for state tenders led to an extension of the government support system, and in the fourth quarter of 2021, an amendment to the Renewable Energy Law was passed, which extended the tenders in Poland through 2027.

<sup>19</sup> <https://www.gov.il/he/departments/policies/3721b-procedure>

<sup>20</sup> [https://www.gov.il/BlobFolder/generalpage/hatzaot\\_lishivat\\_hamoatza/he/council\\_public\\_9.24-31.10.2023-a.pdf](https://www.gov.il/BlobFolder/generalpage/hatzaot_lishivat_hamoatza/he/council_public_9.24-31.10.2023-a.pdf)

<sup>21</sup> <https://www.iea.org/reports/poland-2022/executive-summary>

<sup>22</sup> <https://energy.instrat.pl/en/electrical-system/generation-capacity-are/>

The forecast for 2024 is that electricity production from renewable energy sources will continue growing rapidly, particularly in light of significant geopolitical changes which have occurred on the European continent, and particularly in Poland, as a result of Russia's invasion of the Ukraine.

For more information about the new government formed in Poland, which has announced it would support renewable energies, see section 6.2 below.

### **Temporary legislation to limit electricity prices in Poland:**

In October 2022, in light of the gas crisis and the high electricity prices in Europe due to the Russia-Ukraine war, the European Union adopted a decision to adopt a cap on electricity prices which certain electricity producers in EU countries may receive, including producers of electricity from renewable energy sources, which will not exceed EUR 180 per 1MWh, in response to the high electricity prices in Europe.

In light of the EU's decision, legislation was adopted in Poland regarding emergency measures to temporarily limit the price of electricity which will be produced, inter alia, from wind farms and photo-voltaic facilities in the country. As part of the legislation that was adopted, it was determined that the sale of electricity directly to the buyer, in respect of the period from December 1, 2022 to December 31, 2023, will be subject to a price cap of: (i) PLN 345 per 1MWh of electricity from wind energy; (ii) PLN 405 per 1MWh of electricity produced from photo-voltaic facilities<sup>23</sup>. Additionally, the price cap for projects which have effectively been subject to the tariff regulation will be the tariff which they won. Amounts which will be received above the determined cap will be transferred by the electricity producers to a dedicated fund which will be used by the government of Poland to reduce electricity prices for end consumers.

In accordance with legal advice which the Company received regarding the legislation's scope, the legislation applies to the sale of physical electricity, and beginning from March 1, 2023, also to engagement in financial transactions and/or sale of the GOOs certificates, the engagement in which depends on the sale and/or production of physical electricity<sup>24</sup>.

The legislation capping the electricity price expired on December 31, 2023. For more information about the effect of legislation on the Company, see Note 10B(4)(b) in Part C of the report – Financial Statements.

For more information about amendment of the Distance Law and re-opening of the wind-based energy market, regulation in Poland and tenders announced, see section 7.2(d).

### **6.6 The renewable energy market in the USA:**

The USA is one of the world's leading countries in the sector of electricity generation from renewable energy sources, and is ranked second in the world, after China, in countries with the most installed capacity of renewable energy facilities.<sup>25</sup> The renewable energy sector in the USA is in a growth trend in general, and particularly in the photo-voltaic segment. According to estimates, some 32GW of solar energy facilities were added in 2023, and total new wind installations in 2023 are expected to exceed 10GW<sup>26</sup>.

<sup>23</sup> On December 16, 2022, the cap on electricity prices was increased by PLN 50 relative to the cap which was published originally.

<sup>24</sup> In accordance with the legislative amendment dated February 2023

<sup>25</sup> Sustainable Energy in America 2020 Factbook BloombergNEF

<sup>26</sup> 2H 2023 US Clean Energy Market Outlook

The growth in the renewable energies sector may receive additional support due to the desire to develop and integrate new technologies in the fields of storage and grid balancing, and also thanks to the decrease in the construction cost of facilities for the production of electricity from renewable energy sources. Storage is considered a growing area in the USA. According to estimates, in 2023 active utility-scale storage facilities of some 8.3GW (26GWh) were added in the USA. Growth in the storage segment in the USA should accelerate significantly in the coming years, with growth in renewable energy facilities and supportive regulation. According to estimates, storage capacity in the USA should reach 43GW and 110GW by 2025 and 2030, respectively.<sup>27</sup>

The targets for production from renewable energy in the USA are determined on the state level, and therefore vary from state to state.

In recent years, more and more states in the US are leading the implementation of a policy supporting renewable energies. Thus, in April 2020, Virginia (the state in which the Company is most active in the USA) determined that by 2050, electricity producers in the state will be required to meet a target of 100% renewable energy<sup>28</sup>. These targets were also announced in the states of California and New York.

Since becoming President in January 2021, US President Joe Biden has established a goal of changing the energy and climate policy of his predecessor, Donald Trump. Accordingly, in January 2021, the President signed several executive orders, including an order for the USA to rejoin the Paris Agreement, after the US had left that agreement in June 2017, under the Trump Administration. Joe Biden also appointed to senior positions individuals who support promoting a policy of preventing the climate crisis, and promoted bills involving federal financing plans to support the transition to the primary use of renewable energies.

On August 16, 2022, the Inflation Reduction Act (IRA) entered into effect, which established, inter alia, the provision of long term economic incentives for the promotion of climate and energy programs. The law includes the adoption of an investment plan at a total scope of USD 500 billion, of which USD 400 billion will be allocated as tax incentives and other benefits in favor of projects for the production of electricity from renewable energy sources.

The law significantly expands the series of tax incentives which are provided for a wide range of renewable energy sources, and allows producers of solar energy to choose between a benefit track out of the investment cost (investment tax credit), and a benefit track out of production revenues over 10 years (production tax credit)<sup>29</sup>. The incentives proposed in the law include:

- (1) Extension of the period of entitlement to the ITC tax credit, such that it will remain in effect until 2032, instead of 2026;
- (2) Subject to the fulfillment of the determined conditions, and taking into account the construction date of the facility, increase of the ITC tax credit to a fixed rate of 30%, throughout the entire period (instead of 26%, and reduction to 10% until the end of 2025, with a significant decrease over the years), and also the possibility to receive eligibility of up to 50%, in accordance with the fulfillment of the criteria specified in Sections (4) and (5) below;
- (3) Provision of the possibility to trade in the entitlement to the tax credit, instead of the need for a tax partner (tax credit transferability);

<sup>27</sup> 2H 2023 US Clean Energy Market Outlook - (Energy storage outlook)

<sup>28</sup> Virginia's Legislative System website, HB 1526 Virginia Economy Act - <https://lis.virginia.gov/cgi-bin/legp604.exe?201+sum+HB1526>

<sup>29</sup> Which will be available only to wind energy producers prior to the enactment of the IRA.

- (4) Provision of an additional tax credit at a rate of up to 10% of the total construction cost of renewable energy projects, including in respect of standalone storage facilities which meet the criteria, and which are built using equipment produced in the USA, and which meet the determined threshold for the integration of local equipment, as stated above;
- (5) Provision of an additional tax credit at a rate of up to 10% of the total construction cost for projects built in areas defined as “energy communities”, which allow optimal use of the land, e.g., construction of facilities on abandoned coal mines, or areas designated for economic development, etc.

With regard to the additional tax credit for use of local (US made) equipment, in 2023 the US Treasury Department and the IRS have issued multiple proposed regulations for public comments, regarding various aspects of the IRA Act, and in particular eligibility to an additional 10% tax credit for projects that meet criteria for incorporating equipment made in the USA (Domestic Content). In 2024, the final regulations should be made public, which govern these issues, as well as the full criteria in the legislation.

For more information about tax credits, see section 7.1c below and Note 2 in Part C of the report – Financial Statements.

In the reported period, demand for electricity from renewable energy increased and prices of green certificates increased in the USA. These significantly improve the economic feasibility of projects in the renewable energy market, as well as expected future projects.

For more information about developments in the Company's macro-economic environment, which may materially impact the Company in its various operating segments, see section 6 below. For more information about external factors which may affect Company operations, see Section 32 below.

## **7. Description of the Corporation's business affairs during the Reported Period by operating segments**

### **7.1 Photo-voltaic segment:**

#### **a. Overview**

##### **(1) Electricity generation using photo-voltaic technology**

Photo-voltaic (PV) energy is electrical energy originating from the sun, which is produced by absorbing sunlight through panels with photo-voltaic cells made of semiconductor materials (hereinafter: "**Photo-voltaic Panels**"). When sunlight is absorbed by the photo-voltaic panels, it releases electrons which, when passed through the semiconductor, produce electrical current.

The key components of a PV system are: photo-voltaic panels composed of solar modules, fixed or tracker construction, current convertor to convert the generated electric current from DC to AC, connection point to the grid and electricity meter.

Photo-voltaic capacity is affected, inter alia, by sunlight intensity, whereby strong sunlight generates strong electrical current, measured in peak kilowatts /MW (MWp/KWp), which represents the solar panels' capacity ("**Installed Capacity**") or in kilowatts /MW (MW/KW), which represents the transformers' capacity.

The Company develops photo-voltaic projects in three territories: Israel, USA and Poland.

For more information about Company operations in the photo-voltaic segment, see section 7.1 below and Note 10 in Part C – Financial Statements.

**(2) Integration of storage technology in photo-voltaic facilities**

PV energy with integrated storage refers to the ability to store the electricity which is produced through the photo-voltaic panels, by converting it to energy of various types (chemical, thermal, mechanical, and others), depending on the type of facility, and converting it back to electricity when needed. After evaluating multiple storage technologies, the Company decided to focus on storage using LFP lithium-ion batteries. The Company intends to store in these facilities the electricity generated by photo-voltaic panels, in terms of MWh, so as to release it to the grid in a controlled manner and as required by the System Administrator or by the provider, as required for the electricity market. Storage facilities integrated with PV energy allow significantly increasing the panel loading ratio relative to the connection size; in other words, to install significantly more photo-voltaic panels on the same connection size, and thereby to make use of a relatively small connection size, and to optimally use the power grid's resources. Alternatively, especially in facilities subject to flow limits into the power grid, storage facilities allow for electricity flow to take place at times when the facility is not generating electricity. In such facilities, the ratio of panel capacity to connection size remains similar to that of a regular facility.

**(3) Company operations in the photo-voltaic segment under “one stop shop” model**

For more information regarding the Company's activity in the Photo-voltaic Segment according to the one stop shop model, see Section 1.5 below.

**(4) Strategic collaboration with First Solar - one of the world's leading panel producers**

As part of the Company's business model, the Company works to build strategic collaborations with its main suppliers of equipment. As part of this strategy, the Company has a strategic collaboration with First Solar, one of the world's leading producers of photo-voltaic panels.

For additional information, see Note 15 in Part C of the Report - Financial Statements.

**(5) For an overview of the set of relevant agreements for promoting Company operations in the photo-voltaic segment, see section 7.5 below.**

**b. Company operations in the photo-voltaic segment in Israel:****(1) Overview**

In order to receive an electricity generation license in Israel for facilities with capacity, it is necessary to meet the conditions prescribed in Electricity Authority regulations, and all of the regulatory and statutory milestones specified in the relevant regulations.

In late 2023, the installed capacity of photo-voltaic facilities in Israel was 5.277GW. This capacity is expected to increase 3.5 fold by 2030, to reach 17.145GW<sup>30</sup>. According to the Electricity Authority's estimates, around 38% of the installed capacity required to meet the government targets for 2025, and around 42% of the potential installed capacity required to meet the targets for 2030<sup>31</sup>, are in onshore photo-voltaic facilities, signifying that most of the potential for renewable energy in Israel is in photo-voltaic facilities<sup>32</sup>.

**Transition from feed-in tariff to competitive proceedings:**

The feed-in tariff method, which was the basis for regulation by the Authority in the first years of introduction of renewable energy into Israel, have been replaced by competitive proceedings which facilitated the conditions for creating photo-voltaic projects, so that for projects connected to the distribution grid<sup>33</sup>, the developer at first only has to state the requested capacity and proposed tariff for the tender, and to provide a guarantee. Subject to being awarded the tender, the developer is required to obtain a connection confirmation from IEC and to comply with regulatory milestones.

Along with the adoption of regulations based on competitive proceedings for the determination of guaranteed tariffs, intensive work has begun on the development and construction of photo-voltaic systems. In conformity with regulations and competitive proceedings issued by the Electricity Authority since 2020, photo-voltaic facilities are mostly constructed with integrated storage capacity.

**Ultra-high voltage – transition to competitive proceedings for protective tariffs** – In September 2022, the Electricity Authority announced the winners in the first process for the determination of a protective tariff for the production of electricity in facilities which are connected to the transmission grid. At the end of a period of 10 years during which the protective tariff will apply, the facilities will operate according to the wholesale market model (in other words, system marginal price - SMP).

The Electricity Authority's publication regarding the expected measures in respect of regulations until 2025 indicates that additional competitive proceedings are expected to be published, to establish a protective tariff for onshore facilities and dual use facilities.

<sup>30</sup> Draft road map for renewable energies in 2030

<sup>31</sup> According to government decision 465, regarding the promotion of a renewable energy policy in the electricity sector, the target for the production of electricity from renewable energy sources will be 30% of total electricity produced in 2030, and 20% as an interim target for 2025. For more information see Section 6.4 above.

<sup>32</sup> Matan Shahak, Renewable energy in Israel and issued for discussion - update, Knesset Research and Information Center, December 7, 2021.

<sup>33</sup> For projects which are intended for connection to the transmission grid, the entrepreneur is also required, as a condition for winning the tender, to receive a positive response from the electric corporation regarding the feasibility of connecting the facility to the grid within the specified time period for connection.

## (2) Regulations in the Photo-voltaic Segment in Israel

### (a) Quota-based fixed tariff regulation ("Tariff Regulation")

Until 2016, a tariff quota-based regulation applied in Israel, according to which a fixed tariff was determined for a period of 20 years, linked to the Consumer Price Index. The Company has systems in commercial operation which are subject to this regulation, with a total capacity of 40.7 MWp.

For additional details regarding the Company's systems in the Photo-voltaic Segment which are in commercial operation, and regarding the tariffs to which they are entitled under the Tariff Regulation, see Section 7.1b below, and Note 10 in Part C of the report – Financial Statements.

### (b) Tariff tender-based regulation (the "Tender Regulation")

Since 2017, photo-voltaic facilities have been built as part of the arrangement regarding competitive proceedings over electricity tariffs, by virtue of which the Electricity Authority publishes, from time to time, tenders for the construction of ultra-high, high and low voltage facilities ("Tariff Tenders").

For more information regarding the Electricity Authority's decision to allow transition to the open market model, instead of the sale of electricity under the terms of the competitive proceedings regulation, see Section C below.

Presented below is a review of the main conditions in the tariff tenders:

- (i) Photo-voltaic electricity generation systems connected to the distribution grid ("High Voltage Systems") – Tender tariffs for High Voltage Systems were set using the Uniform Second Price method, whereby winning bidders are awarded a uniform tariff, equal to the lowest bid not awarded a tender for 23 years, subject to linkage. As a pre-condition for bidding, each bidder is required to deposit a bid guarantee, to be replaced later on by a construction guarantee. The winning bidder must reach commercial operation within 21 months from being awarded the tender.

Incorporating storage technology in High Voltage Systems – Since 2020, competitive proceedings for high-voltage photo-voltaic facilities include quotas for a fixed tariff for photo-voltaic facilities incorporating storage, that allow electricity to be stored and released, equal at least to the site connection size in terms of actual output, measured in MW, for 4 hours. For more information about incorporating storage technology into photo-voltaic facilities, see section 7.1a(2) above. Accordingly, two tenders were published in 2020 for setting a tariff for electricity generation using photo-voltaic technology incorporating storage capacity, in which the guarantee amounts required to secure eligibility for the tariff were increased. Moreover, in the most recent storage tender published, the term of the tariff payable changed, from the start of commercial operation through 2045. The tender also allows the winners to extend the maximum deadline by 15 months. For more information regarding quotas for high voltage systems which were published by the Electricity Authority, see below. For more information regarding the storage segment, see Section 7.3 below.

The Electricity Authority made several decisions designed to facilitate certain market factors, including extension of the construction date in competitive proceedings and regulations by the Authority. Additionally, the national plan for increasing energy

efficiency for the years 2020-2030 is working on addressing the challenges of the energy sector in Israel, while adapting to global trends in the sector, and responding to the climate crisis.

In November 2022, due to unusual delays in providing answers by some winning bidders in competitive proceedings 1 and 2, the Electricity Authority extended the deadlines and maximum deadlines for competitive proceedings 1 and 2, by 6 months without requiring additional guarantees (but subject to extension of the construction guarantee).

In 2023, given the delays in development of the power grid and due the Swords of Iron War war, the Electricity Authority made multiple decisions to extend the construction deadlines for generation facilities using renewable energies, as part of competitive proceedings and regulations by the Authority.

In September 2023, the Electricity Authority published a decision concerning extension of deadlines and maximum deadlines in several competitive proceedings<sup>34</sup>. These include deadlines for high voltage proceeding 1 and for proceeding 2 – PV with integrated storage. The extension of these deadlines does not involve an additional guarantee, and will be permitted subject to extension of the construction guarantee. It was further stipulated that in some of the proceedings, winning bidders may waive the awarded quota, in whole or in part, subject to forfeiting part of the guarantee.

In November 2023, the Electricity Authority published another resolution extending deadlines due to the security situation<sup>35</sup> in competitive proceedings, including high voltage proceeding 1 and for proceeding PV with integrated storage. The extension of these deadlines does not involve an additional guarantee, and will be permitted subject to extension of the construction guarantee. The resolution further stipulates that milestones in contingent licenses, including in the contingent license awarded to Clean Wind Energy Ltd., would be extended by 4 months.

In January 2024, the aforementioned deadline extensions were adopted, *mutatis mutandis*, in Judea and Samaria<sup>36</sup>.

In January 2024, the Electricity Authority published a proposed further extension due to the Swords of Iron War war, for generation facilities located in the Western Negev region and on the Northern border with Lebanon.<sup>37</sup>

Photo-voltaic electricity production systems which connect to the transmission grid ("Ultra-High Voltage Systems") – In accordance with the decision of the Electricity Authority dated September 2017, the bidders in a competitive proceeding for ultra-high voltage systems will compete over the lowest tariff per produced KWh, with priority given to bids in respect of projects which have an approved statutory plan at the time of testing feasibility the feasibility of connection to the project. The tariff is determined for each winning bidder by their bid and space on the grid will be reserved for it, beginning from the award date. The tariff is payable over a period of 23 years

<sup>34</sup> See decision by the Electricity Authority dated September 6, 2023. Decision 66408. Deadline extension and possible return of guarantee in competitive proceedings: [https://www.gov.il/BlobFolder/policy/66408/he/Files\\_Hachlatot\\_66408.pdf](https://www.gov.il/BlobFolder/policy/66408/he/Files_Hachlatot_66408.pdf)

<sup>35</sup> See decision by the Electricity Authority dated November 29, 2023. Decision 67703. Extension of deadlines for construction of electricity generation facility due to the security situation: [https://www.gov.il/BlobFolder/policy/67703/he/Files\\_Hachlatot\\_67703\\_n.pdf](https://www.gov.il/BlobFolder/policy/67703/he/Files_Hachlatot_67703_n.pdf)

<sup>36</sup> See decision by the Energy Staff Officer of the Civil Administration, dated January 17, 2024. Across-the-board extension of deadline and maximum deadline in competitive proceedings for setting the electricity generation tariff using photo-voltaic technology in Judea and Samaria:

[https://www.gov.il/BlobFolder/reports/pv\\_cost\\_extension/he/%D7%94%D7%90%D7%A8%D7%9B%D7%AA%20%D7%9E%D7%95%D7%A2%D7%93%D7%99%D7%9D%20%D7%A8%D7%95%D7%97%D7%91%D7%99%D7%AA.pdf](https://www.gov.il/BlobFolder/reports/pv_cost_extension/he/%D7%94%D7%90%D7%A8%D7%9B%D7%AA%20%D7%9E%D7%95%D7%A2%D7%93%D7%99%D7%9D%20%D7%A8%D7%95%D7%97%D7%91%D7%99%D7%AA.pdf)

<sup>37</sup> [https://www.gov.il/BlobFolder/policy/68101/he/Files\\_Hachlatot\\_68101.pdf](https://www.gov.il/BlobFolder/policy/68101/he/Files_Hachlatot_68101.pdf)

linked to a linkage formula. As a minimum condition for the submission of a bid, the bidders will deposit a participation guarantee, which will be replaced, after winning, with a construction guarantee. The winning bidder must reach commercial operation by the required date, to be specified in each proceeding. As opposed to the tariff tenders for the construction of high voltage systems, bids which are submitted within the framework of this process include bids for the construction of facilities in a specific site, and not a usage quota. Further to the decision, the Authority published the first competitive proceeding for the construction of ultra-high voltage systems, which included, inter alia, the criteria which apply to participants in the process.

(ii) Dual use photo-voltaic electricity generation systems which will be connected to high voltage and low voltage

In August 2021, with the aim of maximizing the use of land resources, the Electricity Authority published the first process first of its kind to establish a tariff for the construction of dual use facilities for the production of electricity using photo-voltaic technology. In this proceeding, the Electricity Authority expanded the possibilities which were available previously (roofs and reservoirs) to a wide variety, including landfills, cemeteries, interchange, parking lot etc. This and similar proceedings were completed, with 815MW allotted to winning bidders. The tariff guaranteed by winning this regulation was limited to a period of 15 years, after which time the ordinary market conditions will apply.

(c) **The market regulation, and granting of the right to transition from competitive proceedings to the market regulation competitive proceedings:**

In September 2022, the Electricity Authority announced regulation of operations of generation facilities in the distribution grid, with integrated or stand-alone storage and the possibility for such facilities to sell electricity directly to private providers. The decision allows for sale of energy from a generation facility to a private provider, as from January 2024. Further, it would be possible to transfer facilities constructed pursuant to regulations or other competitive proceedings to the open market model.

(d) **Sale of electricity to the system manager in accordance with the rules of the wholesale market in the transmission grid**

In March 2022, the Electricity Authority published a decision which primarily includes allowing renewable energy facilities, including those with integrated storage capabilities, to continuously integrate into the transmission grid, without a preliminary process, and with no need for the Authority to determine a tariff, and to sell all of the electricity which is produced at the facility to the system manager, in accordance with wholesale market rules, such that the tariff would be determined based on market markets at 30 minute intervals. The decision also specified that the facilities which will be built thereunder may also be integrated into additional processes, including the planned process for determining a protection tariff for ultra-high voltage producers of renewable energy.

Further to this, in April 2022 the first proceeding of its kind was announced, to determine a protective tariff for electricity generated from renewable energy sources in facilities connected to the transmission grid. In September 2022, the Electricity Authority announced the winners in the process, with a total capacity of 241MW, and with a protective tariff of NIS 0.117 for a period of 10 years, after which the facilities will operate according to the wholesale market model.

**(e) Ad hoc decisions regarding the construction of dedicated facilities**

In addition to the Tariff Regulation and the Tender Regulation, the Authority reaches decisions, from time to time, to support the construction of dedicated photo-voltaic facilities.

**(3) Information about Company operations:**

In the reported period, Company operations included construction of PV projects with total capacity of 580MWp, including construction, for the first time, of PV facilities with integrated storage. The Company also has a series of projects in initiation stages which it intends to build within the framework of additional competitive proceedings that will be published by the Electricity Authority, or in accordance with arrangements which will be in effect on the relevant date, and the Company intends to participate in the various tenders which are published from time to time.

In the Reported Period, the Company contracted with Electra Power Supergas Ltd., a private provider which would purchase the electricity generated by 6 of the facilities being constructed, as part of competitive proceeding 2 (including storage), for payment of improved electricity prices compared to the tariff assured in the competitive proceeding. This contracting is part of the Company's belief that sale of electricity to a third party provider, within the framework of a long term agreement under which the Company is able to maximize the price of electricity, while receiving adequate collateral and engaging with providers with proven financial ability, could allow the Company to maximize its revenue from the sale of the electricity in facilities which are connected to the distribution grid, and which were built in competitive proceedings.

**(4) Presented below is information regarding the series of projects in Israel:**

	Connected projects	Projects under construction / in pre-construction		Projects under advanced development	Projects under development	
	Photo-voltaic	First competitive proceeding in ultra-high voltage <sup>(1)(5)</sup>	Photo-voltaic projects including storage capabilities	Photo-voltaic projects including storage capabilities <sup>(5)</sup>	Photo-voltaic including storage capabilities	Storage
Capacity (MW)	330 <sup>(2)</sup>	87	104 (318MWh)	23 (88MWh)	565	500MWh
Construction cost* (NIS millions)	1,200	240-280	540-580	125-145		
Annual revenues* (NIS in millions)	155-160 <sup>(3)</sup>	22-26 <sup>(4)</sup>	57-62 <sup>(4)</sup>	14-18 <sup>(4)</sup>		
Annual gross income* (NIS in millions)	115-123 <sup>(3)</sup>	16-20 <sup>(4)</sup>	46-50 <sup>(4)</sup>			

(1) Projects held through a joint venture in which the Company has a 70% ownership stake. The Company's share in the results and cash flows of these projects is 91%, in consideration of preferred shareholder loans and the waterfall payment model

(2) Including 23MWp which have completed construction and are pending commercial operation

(3) In accordance with the projected results for 2024

(4) Projected results in the first full year of operation, based on electricity prices pursuant to PPAs signed with a private provider

\* Based on the Company's estimates. This information constitutes Forward-Looking Information, as defined in Section 1.5 above.

\*\* The Company won a capacity of 10 MWp (the Company's share - 100%) in the competitive tender for the construction of high voltage facilities which was published by the Staff Officer for Electrical Affairs. The main terms of the regulation in respect of this facility, and of the tariff which the Company is entitled to receive, are identical to those of the third competitive tender for high voltage facilities.

### **(5) Additional information regarding the Company's operating infrastructure in the Photo-voltaic Segment in Israel**

- For the main details regarding the Company's projects in the Photo-voltaic Segment in Israel which are in commercial operation, under construction and in pre-construction, under advanced development or under development, see section 4.1 in Part B – Board of Directors' Report.
- For additional details on all matters pertaining to projects in the Photo-voltaic Segment in Israel which are classified under the item for connected electricity production systems and under the item for systems under construction and initiation in the statement of financial position, see Note 10 in Part C of the Report - Financial Statements.
- For more information regarding engagements and the Company's development and development activities in the Photo-voltaic Segment in Israel, including under a joint venture with a local entrepreneurial company (the Joint Venture (Israel)), and a dispute which arose between the Company and the Entrepreneurial Company in the Joint Venture (Israel), see Note 15 in Part C of the Report - Financial Statements.
- For more information regarding project finance transactions for the Company's facilities in the Photo-voltaic Segment in Israel which are in commercial operation, under construction and in pre-construction, see Note 14 in Part C of the Report - Financial Statements.
- For details regarding the series of providers and raw materials in the Photo-voltaic Segment, see Section 7.7a below.
- For details regarding the competitive conditions in the Photo-voltaic Segment in Israel, see Section 12. below.
- For more information regarding additional legislation which affects the Company's activity in the Photo-voltaic Segment, see Section 7.8 below.
- For more information regarding the useful lifetimes and depreciation rates of systems for the production of electricity from photo-voltaic energy, see Note 2 in Part C of the Report - Financial Statements.
- For details regarding the main projects in the Photo-voltaic Segment, beginning from the advanced initiation stage, see Note 10 in Part C of the Report - Financial Statements.

### **c. The Company's activity in the Photo-voltaic Segment in the USA**

#### **(1) Overview**

The market for electricity generation from photo-voltaic energy in the USA continues to grow at a record pace, and as a result, total forecasted growth in installed capacity of PV facilities between 2023 and 2030 should be 370GW, over three times the total installed capacity at end of 2022. Furthermore, according to estimates, total growth in installed capacity of utility scale facilities in 2023 was 24GW, an increase by over 50% compared to 2022.<sup>38</sup>

<sup>38</sup> 2 H 2023 US Clean Energy Market

The Photo-voltaic Segment in the USA is based on an advanced market for the sale of electricity and for the sale of renewable energy credits (RECs), and in certain cases, in some regions in the USA, revenue in respect of capacity and other services. Entrepreneurs in the Photo-voltaic Segment are also entitled to a federal tax credit (ITC) in significant amounts, depending on their fulfillment of the preconditions for receiving the benefit.

**(2) Revenue sources from photo-voltaic operations in the USA:**

**(a) Sale of electricity**

The electricity sale market in the USA allows a great deal of flexibility in the sale of electricity, and electricity producers can even sell electricity directly to consumers and/or to financial institutions which serve as agents in the sale of electricity. Most of the electricity sale transactions are performed vis-à-vis the local electric companies; however, in recent years, the trend of transition to direct agreements with consumers and other players has increased, mostly to very large companies such as Google, Meta and Microsoft, which have set for themselves the goal of 100% electricity consumption from renewable energy sources. The electricity is sold directly from the facility, or by way of a virtual agreement and settling of accounts vis-à-vis the grid administrator or the local electric corporation. Most of the electricity sale agreements (whether to the electric corporation or directly to consumers) are for periods of 5-20 years:

- The sale of electricity to local electric companies is done by signing a designated agreement, or through a competitive tender<sup>39</sup> which is published by the local electric company for the purpose of engaging in an agreement regarding the purchase of power from the project, at a long term fixed price. The electric company conducting the tender chooses one of the bidders based on price and project quality parameters (location, stage of development, etc.) and the bidder's quality (experience, financial soundness, etc.). This engagement involves the actual sale of the electricity which is produced in the facility to the electric corporation.
- Sale of electricity to consumers / price hedging transactions - are performed both by way of competitive tenders (similarly to the local electric companies) and as direct transactions. Transactions of this kind are usually for periods of 5-20 years. The sale of electricity may take place physically or virtually (through an external transaction to hedge the price of electricity from the facility, and the sale of the green certificates which will be issued in respect thereof, with the actually produced electricity being fed into the power grid, and settlement between the parties is conducted through the local grid administrator). The sale of electricity within this framework may apply to all of the electricity which is produced in the facility ("As Generated"), or to a partial capacity which is determined by the parties in advanced, according to a projected production estimate ("Shape").

**(b) Revenues from the sale of green certificates**

Incentives for entrepreneurs vary from state to state in the US, with the most common incentive being the issuance of renewable energy credits (RECs) which are given to producers of electricity from renewable energy sources for each produced MWh. The value of the certificates varies depending on the regulatory framework and market conditions in the relevant country. Many of the states have an obligatory renewable energy target which

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<sup>39</sup> As of the Report Approval Date, most of the Company's activity in the USA is not performed through tenders.

was determined by the local legislator (Renewable Portfolio Standard), and accordingly, the local electric companies, which are overseen by the local legislator, are required to purchase RECs. Additionally, many companies which are not obligated by law to purchase green certificates (such as large technology companies) undertake similar obligations, in order to meet the renewable energy targets which they have set for themselves. Sale of green certificates may be part of an agreement to sell electricity from renewable energy sources, or by special agreement between buyer and seller that is separate from the PPA for which the certificates were generated.

**(c) Additional income sources**

In certain cases, depending on the country and the power grid, it is possible to receive additional income from photo-voltaic electricity generation facilities in respect of a commitment which is given by the entrepreneur regarding the system's capacity. In respect of the Company's ultra-high voltage projects, the projects are expected to be eligible for additional income due to reactive power.

**(d) Federal tax credit**

Entrepreneurs in the renewable energy industry which meet certain conditions prescribed in the law are entitled to an investment tax credit (ITC) of 30% to 50% of the recognized costs of the project (the costs used to derive the benefit are calculated according to conditions specified in the law) ("**Tax Credit**"). For more information about the Tax Credit, see reference to adoption of the IRA, in section 6.6 above. The Tax Credit may be utilized in one of three ways as follows:

- (i) Independently, against earnings of the corporation that owns the project
- (ii) By contracting with a local partner that has a liability for federal tax in the USA ("**Tax Partner**"). The Tax Partner usually provides up to 50% of the cost of the investment required to build the facility, in exchange for most of the tax benefits which the project is entitled to receive, mostly including the ITC, and payment at a rate of 10%-30% of the project's cash flows, for a period which is usually 5-7 years. This reflects a return on the Tax Partner's investment at rates agreed by the parties. As of the Report Approval Date, this is typically in the range of 7%-10%. The entrepreneurs are responsible for directing the balance of the investment cost towards the construction of the facility (including by way of financing), and are entitled to the remaining tax credits and the remaining cash flows from the project. Once the Tax Partner has recouped its investment, plus an agreed-upon return (in the form of tax credits - ITC, its share in the losses for tax purposes, and payment of its share in the cash flows), the Tax Partner's share in the cash flows and tax credits decreases to 5%, and at the same time a right materializes for the entrepreneurs to buy the Tax Partner's interests in the project, under market conditions.
- (iii) By selling the Tax Credit eligibility, rather than requiring a Tax Partner (Tax Credit Transferability). With addition of the right to sell the ITC tax credit, many players who previously contracted as Tax Partner are now transitioning to transactions to acquire Tax Credits. Given the growing supply of projects eligible for Tax Credit, due to accelerated growth in this area, such transactions typically have a higher return to the Tax Credit buyer, by reducing the consideration payable to developers for sale of the amount reflected in the ITC tax credit.

For additional details regarding the IRA legislation and the ITC tax credit, see Section 6.6 above.

For more information about negotiations to establish a strategic collaboration, to include the Tax Partner investment, see section 2.4 of Part B of this report – Board of Directors' Report, and Note 10 in Part C of this report – Financial Statements.

**(3) Approvals and permits for the development and construction of projects**

The process of connecting to the grid is done vis-à-vis the relevant local electric corporation in whose territory the facility is located. For ultra-high voltage projects, this is also conducted vis-à-vis the regional power grid administrator. The process of receiving the statutory permits is done on the state level, and on the county level, with requirements varying from state to state and from district to district.

Electricity generation, transmission and distribution are areas subject to state and federal regulations. During the Reported Period, and as of the Report Approval Date, the distribution grid in Virginia, the state where most of the Company's development activity is taking place in the USA, was mostly controlled by a duopoly of two regional electric companies - Dominion Energy and Appalachian Power Company, while the transmission grid in all of the states where the Company has operations, is managed by the PJM grid administrator. The electric companies manage the process of connecting projects in their areas to the grid, in accordance with facility's size (distribution / transmission grid). The companies are obligated to allow each project to connect to the grid; however, the project must pay for the required works to make the connection.

Solar projects in the USA must obtain the following main permits: county-level permit (for re-zoning that allows the land to be used for the purpose of building a solar facility), state-level permit (mostly regulating environmental, cultural and historical aspects), and building and electricity permits for the commencement of construction works.

**(4) Approvals and permits required to perform construction and operation works**

During the Reported Period, an American subsidiary wholly owned by the Company provided prime contractor services for construction works, and another subsidiary provided operating services for the projects which are owned by the Company in the USA (including through the Joint Venture (US), as defined below), and for this purpose, it is required to comply with the local regulation which applies to contract works, including obtaining appropriate licenses for the types of works, environmental considerations, aspects pertaining to the employment of employees, and work safety laws.

**(5) Reform in the process of connecting to the PJM grid**

The structure of the process of conducting connection surveys to the PJM grid, which mostly has a low threshold for entry and a first-come, first served methodology, creates a burden on projects that are in line for conducting connection surveys. Consequently, PJM has adopted a reform in conducting surveys for connection of facilities to the grid, replaced

by a first-ready, first-served methodology. This new methodology did not allow any further applications to be filed in 2023, and additional costs were imposed on those wishing to connect the facilities, along with providing proof of project feasibility. The new method includes "decision points" which, upon reaching them, require the applicant to deposit guarantees (to be partially forfeited should the project not be promoted), and to demonstrate that the applicant has control over the land required for project construction (options to lease or purchase). Concurrently, PJM established a "fast track" for projects already in line for which PJM believes the cost of network upgrades associated with connecting them are less than USD 5 million. The purpose of these changes is to accelerate approval of projects deemed simple, removing projects with a low probability of being completed from the line of connection surveys, in order to relieve the aforementioned burden.<sup>40</sup> On November 29, 2022, the Federal Energy Regulatory Commission (FERC) approved the proposed reform dated June 14, 2022, which had been submitted by PJM, and which became effective in early 2023, in accordance with the rules which were determined in the reform.

The Company believes that, despite the fact that, in the short and medium term some of the projects may be delayed, over the long term the line for future projects will be shortened significantly.

**(6) Ultra-high voltage operations in PJM and management of exposure to price arbitrage (Day Ahead/Real-Time and Basis)**

In the PJM grid, the price of electricity may differ in various locations within the grid territory, due to generation, consumption and demand in such areas. Moreover, PJM determines a cost for electricity congestion and for transmission losses at various locations which, in turn, affect the final price of electricity at each location. In many cases, PPAs are based on settlement with respect to the price electricity at a reference location, as agreed by the parties. If electricity is actually provided to the grid at a different connection point, this may result in positive/negative differences in electricity price used as a reference point, and the electricity price at the actual connection point. Moreover, a developer may also be exposed to price arbitrage should they fail to comply with projected generation of electricity provided to the grid administrator.

The Company is in advanced contact with multiple leading players in the US energy market to hedge these two exposures.

**(7) Information regarding the Company's operational infrastructure in the USA**

During the Reported Period, the Company's significant growth trend in the USA continued, thanks to the and significantly positive support for the renewable energy market. After the Company acquired, in April 2023, the non-controlling interest in the joint venture by which

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<sup>40</sup> <https://www.pjm.com/planning/service-requests/interconnection-process-reform>

it operated in the USA, all Company operations in the USA are now wholly-owned (100%) by the Company. Most of the Company's activity in the USA is focused on Virginia and Pennsylvania, while during the Reported Period the Company built infrastructure to support the expansion of its activity into neighboring states as well, including Kentucky and West Virginia, all of which are on the transmission grid managed by PJM<sup>41</sup>.

The Company believes that establishing its operations in the PJM grid, along with the IRA legislation and its competitive advantage due to established collaborations with leading market players and transactions contracted in 2023 – ensuring regular supply of US Made panels at attractive prices and collaboration established with Bank Santander, a leading global bank in renewable energy – significantly improve the economic viability of its operations in the USA and provide a platform for accelerated growth of the Company's major growth engine.

For more information about negotiations by the Company to establish a strategic collaboration for sale of electricity and for providing the Tax Partner investment, see section 2.4.1(ii) of Part B of this report – Board of Directors' Report.

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<sup>41</sup> The power grid manager of several states in the Northeast USA, including Virginia, Pennsylvania, Kentucky and West Virginia.

**Presented below is information regarding the series of projects in the USA:**

	Connected projects		Projects under construction / in pre-construction		Projects under advanced development	Projects under development
	Virginia Projects 1 and 2	Virginia Projects 3 and Pennsylvania	Projects under construction in Pennsylvania	Projects under construction in Virginia	Projects under advanced development in Virginia and Pennsylvania	PV and storage
Capacity (MWp)	224	412	76	132	317	4,800MWp 6,000MWh
Construction cost* (NIS millions)	569 <sup>(2)</sup>	1,224 <sup>(2)</sup>	160-180 <sup>(2)</sup>	330-350 <sup>(2)</sup>	1,050-1,150 <sup>(2)</sup>	
Revenue* (Annual, NIS in millions)	54-59 <sup>(1)</sup>	140-150 <sup>(1)</sup>	30-34 <sup>(3)</sup>	48-54 <sup>(3)</sup>	123-133 <sup>(3)</sup>	
Annual gross income* (NIS in millions)	43-47 <sup>(1)</sup>	118-124 <sup>(1)</sup>	25-29 <sup>(3)</sup>	42-46 <sup>(3)</sup>		

\* Based on Company estimates. This information constitutes Forward-Looking Information, as defined in Section 1.5 above.

- (1) In accordance with the projected results for 2024
- (2) Third party costs, including financing expenses during the construction period, tax payments in respect of development and construction profits, less the Tax Partner's investment in respect of the tax credit (ITC).
- (3) Projected results in the first full year of operation. The project results are presented according to full consolidation (100%)
- (4) The financial data are based on an exchange rate of NIS 3.71 to USD 1.

- For the main details regarding the Company's projects in commercial operation, whose construction and/or connection to the grid have been partially completed, under construction and in pre-construction, under advanced development or under development in the Photo-voltaic Segment in the USA, see section 6.6 in Part B – Board of Directors' Report.
- For additional details on all matters pertaining to projects in the Photo-voltaic Segment in the USA which are classified under the item for connected electricity production systems and under the item for systems under construction and initiation in the statement of financial position, see Note 10 in Part C of the Report - Financial Statements.
- For more information about negotiations to establish long-term strategic collaboration for future projects with capacity of 1GW or more, see section 2.4 of Part B of this report – Board of Directors' Report, and Note 10 in Part C of this report – Financial Statements.
- For more information regarding project finance transactions for the Company's facilities in the Photo-voltaic Segment in the USA which are in commercial operation or under construction, see Note 14 in Part C of the Report - Financial Statements.
- For more information regarding the engagement with First Solar, see Section 7.1 below.
- For details regarding the expansion of the strategic collaboration with First Solar, and the engagement in a series of agreements which will ensure for the Company the provision of panels for the years 2023-2026, see Note 15 in Part C of the Report - Financial Statements.
- For details regarding the main agreements which are relevant to the Company's project activity, including in the Photo-voltaic Segment in the USA, see Notes 10 and 15 in Part C - Financial Statements.

- For additional details regarding the Company's engagements and initiation and development activities in the Photo-voltaic Segment in the USA, including contracting a transaction to acquire the non-controlling interest in the USA Joint Venture (Company's share prior to this acquisition: 58%), see Note 15 in Part C of the Report - Financial Statements.
- For more information regarding additional legislation which affects the Company's activity in the Photo-voltaic Segment in the USA, see Section 7.8 below.
- For details regarding the Company's construction infrastructure, which provides construction services for the Company's facilities in the Photo-voltaic Segment in the USA, see Note 10b(2) in Part C of the Report - Financial Statements.

**d. The Company's activity in the Photo-voltaic Segment in Poland**

**(1) Overview**

in recent years, a significant acceleration began in the development of the photo-voltaic market in Poland (growth from 4GW of installed facilities at end of 2020 to 12.4GW at end of 2022 and 16.53GW as of November 2023).<sup>42</sup> In accordance with the forecasts, this significant increase is expected to continue in the coming years. In 2023, compared to 2016, the capacity of solar projects in Poland and the electricity generated thereby, increased from 187MW to 16,530MW, and from 123.9GWh to 13,223.56GWh, respectively. The growth trend in the PV market is expected to grow in the coming years.

**(2) Regulation – overview**

By law in Poland, in order to generate electricity from renewable energy sources at a capacity greater than 1MW, including facilities in the Photo-voltaic Segment, a license is required which prescribes the rules for execution and regarding the activity, and the producer's undertaking on the matter. The license is given for a period of 10 to 50 years.

**(3) Alternatives to the construction of photo-voltaic facilities in Poland**

In accordance with the current regulation in Poland, photo-voltaic electricity generation projects can be built independently and sell the electricity produced therein on the power market at market prices, or by virtue of tender regulations. Projects which are subject to the tender regulation must meet preconditions in order to be eligible to participate in, and win, tenders. In accordance with the tender conditions, each of the facilities that has won the tender and will be built will be entitled, upon commercial operation, to a guaranteed, CPI-linked tariff, for 15 years, in respect of electricity output which was submitted for the tender. The remaining output will be sold on the free market.

**(4) Additional relevant legislation in the Photo-voltaic Segment in Poland**

The Real Estate Tax Law (RET), which regulates, inter alia, the basis for calculation of tax on all matters pertaining to photo-voltaic facilities.

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<sup>42</sup> <https://energy.instrat.pl/en/electrical-system/generation-capacity-are/>

(5) **Dedicated legislation and regulations which apply to the Company by virtue of its function as the distribution system operator (DSO) managing the power grid.**

Pursuant to regulation, a DSO is required to take regular care of management of grid traffic and capacity, provide information to users, sign connection agreements, prepare and revise development plans, grant licenses and pay for licenses and fees.

(6) **Additional information regarding the Company's operational infrastructure in the PV segment in Poland**

In light of the inherent potential of the photo-voltaic market in Poland, along with the know-how, professionalism and operating infrastructure which the Company has created in Poland, during the Reported Period the Company worked on the development and promotion of projects in the Photo-voltaic Segment in Poland. Having completed, in the reported period, construction of the first PV facility in Poland, with capacity of 12MWp, in 2024 the Company would act to construct another facility, with capacity of 30MWp. Furthermore, in the reported period, the Company closed acquisition of a PV facility with capacity of 50MWp or more, currently in advanced development stages, in order to prepare it for construction by end of 2024.

**Presented below is the Company's operational infrastructure in the PV segment in Poland**

	Connected projects	Projects under construction and in pre-construction	Projects under advanced development	Projects under development
	Photo-voltaic	PV project in Poland, 30MW	Prądy	PV
Capacity (MWp)	12	30	65	200
Construction cost* (NIS millions)	34	82-94	245-265	
Annual revenues* (NIS in millions)	4 <sup>(1)</sup>	10-14 <sup>(2)</sup>	23-29 <sup>(2)</sup>	
Annual gross income* (NIS in millions)	4 <sup>(1)</sup>	8-10 <sup>(2)</sup>		

\* Based on Company estimates. This information constitutes Forward-Looking Information, as defined in Section 1.5 above.

- (1) In accordance with the projected results for 2024
- (2) Projected results in the first full year of operation.
- (3) The financial data are based on an exchange rate of NIS 0.93 to PLN 1.

- (1) The wind farm Banie 4 won a guaranteed, CPI-linked tariff (as of the Reporting Date - PLN 280-285 per 1MW), for 15 years, in respect of electricity output at an average rate of 80% of the expected electricity production. The Company has the possibility to choose not to enter into the tender regulation, and to waive the guaranteed tariff until February 2025. A decision on the matter will be made around that time, depending on the state of the power market and the electricity prices at that time, inflation forecasts, etc. During the Reported Period, revenues during the testing period of Banie project stage 4 amounted to a total of NIS 49 million. In June, the project fulfilled all of the requirements, and received a permanent electricity production license. Until the date of receipt of the permanent license, the financing expenses in respect of the project loan during the testing period were capitalized to the system's cost, and therefore, FFO during the testing period did not include financing expenses in respect of the project.

- For details regarding the main figures of facilities in the Photo-voltaic Segment which the Company owns in Poland, see Section 4.1 in Part B - Board of Directors’ Report, and Note 10 in Part C of the Report - Financial Statements.
- For details regarding the Company’s construction and operation infrastructure, which provides services for the construction and operation of photo-voltaic projects which the Company owns in Poland, see Note 10b(4)(a) in Part C of the Report - Financial Statements.

*It is emphasized that the Company’s estimates regarding the projects it is promoting, as specified in Section 7.1, and materials and information regarding their financial data, constitute Forward-Looking Information, as this term is defined in the Securities Law - 1968, which is based on the information which was available to the Company on the date of this report, and on the Company’s estimates and plans. These estimates and plans may not materialize, due to various factors which are not under the Company’s control, such as the receipt of permits, fulfillment of deadlines in the competitive proceedings, changes to system construction costs, unexpected expenses, and the materialization of one or more of the risk factors specified in Section 32 below, etc.*

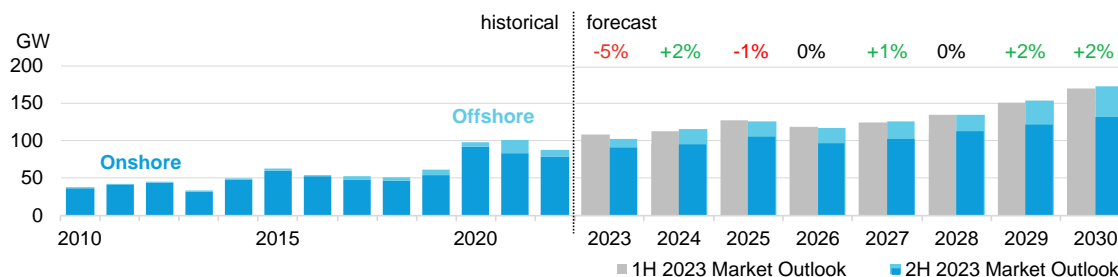
## 7.2 Wind Energy Segment

### a. Overview

The Wind Energy Segment is the global leading segment for the production of electricity from renewable energy sources, with a global cumulative installed capacity of over 1040GW.<sup>43</sup>

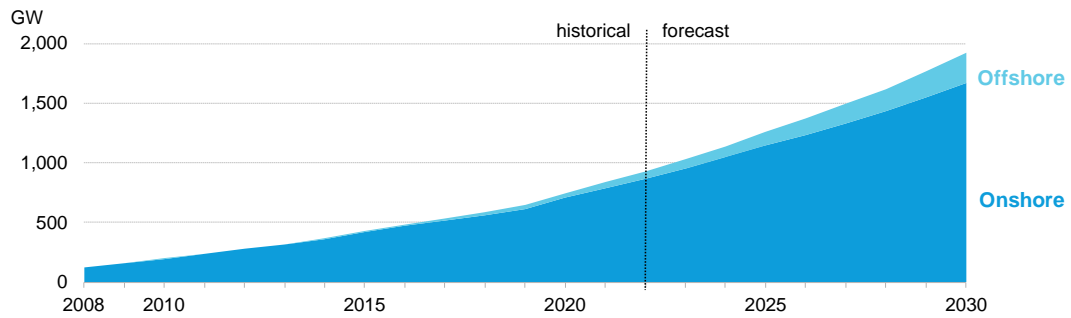
In recent years, the global wind industry has grown annually by an average of over 50GW, and according to BNEP forecast, it is estimated that during the Reported Period the growth would exceed 100GW, and in 2024 – over 115GW is expected to be connected.<sup>44</sup> This increase is due to technological innovations which allowed a reduction in the cost of electricity production from wind energy, growth in investments in the Wind Energy Segment around the world, and extensive government support programs.

### Projected and historical cumulative installed capacity of wind energy projects



<sup>43</sup> BloombergNEF Global Wind Market Outlook 2H 2023.

<sup>44</sup> Q2 2023 Global Wind Market Outlook.



Currently, typical land-based wind turbines have capacities of 2-6 MW; blade diameters range from 100-170 meters; and tower heights range from 100-150 meters. For the most part, the type of turbine installed in a particular site will be determined in accordance with the characteristics and wind conditions of the area.

Turbine manufacturers are working to increase turbine efficiency, in order to allow the turbines to produce more electricity per given wind regime. Increasing turbine efficiency allows manufacturers to expand their market share also to areas where government incentives are low, or to sites with less wind power.

For the purpose of ensuring the orderly operation of wind farms, routine maintenance is required, which is provided, for the most part, by the turbine manufacturer, as part of a long term package of service and maintenance agreements.

**b. Method of operation and primary components of large wind turbines**

The production of electricity from wind energy is performed when kinetic energy originating from the flow of air strikes the blades of the turbine, and creates a rotating motion of the blades. This rotating motion is converted into electrical energy through an electrical generator which is located at the top of the tower where the turbine is installed. The greater the wind power, the greater the capacity produced from the generator, until the point where the generator reaches its capacity limit. Due to the fact that the wind direction changes frequently, in accordance with the wind regime in the area, the turbine has sensors which rotate the body of the turbine such that the blades are always facing in the direction of the wind. Turbine height and blade radius affect the turbine output, such that the higher the turbine and the larger the blade radius, the more large and powerful is the wind utilization by the turbine. In farms which include several turbines, the turbines are mostly connected to each other through an underground electricity collection network, which is fed from there to the connection point to the power grid.

- c. For the set of agreements for Company operations in the Wind Energy Segment, see section 7.5 below.

**d. The Company's activity in the Wind Energy Segment in Israel**

**(1) Overview**

In Israel, several areas have been identified as having the potential to leverage wind energy; however, the construction of a wind farm in those sites is subject to conditions and restrictions which are derived from security consideration, environmental considerations and planning considerations. In light of the above, the construction of wind farms in Israel is subject to many barriers, and the segment is relatively limited in scope.

According to the electricity market report issued by the Electricity Authority in September 2023<sup>45</sup>, at end of 2022 Israel had wind farms in operation with capacity of 137MW. By end of 2023, there should be wind farms in operation with capacity of 343MW.

**(2) Regulation in the Wind Energy Segment in Israel for systems over 50KW ("Large Wind Systems")**

The regulation in respect of Large Wind Systems was published for the first time as part of decision 349 of the Electricity Authority, dated October 10, 2011, and was revised from time to time. In accordance with the regulation which applies as of the Report Date, the quota for electricity generation using wind energy is 730MW, according to an outline of an undertaking to acquire electricity of the Electric Corporation, at a guaranteed tariff for a period of 20 years, CPI-linked.

The tariff is to be determined using a calculation formula which is based on a designated basic tariff, including a distinction between facilities that are connected to the transmission network and to the distribution network, and will be linked to certain variables, such as exchange rates, an index that reflects the global cost of wind turbines, prices in foreign currency, the CPI and interest rates.

In accordance with the Electricity Authority's publications in 2020, the weighted tariff until the exhaustion of the 300 MW quota, is NIS 0.28 per produced 1KWh, in respect of facilities which are connected to the transmission grid (ultra-high voltage), and NIS 0.26 per 1KWh in respect of facilities which are connected to the distribution grid. After the initial quota of 300MW has been exhausted, the weighted tariff will be updated, such that the weighted tariff in respect of facilities which are connected to the transmission grid (ultra-high voltage) will be NIS 0.26 per produced 1KWh, and in respect of facilities which are connected to the distribution grid, NIS 0.24 per produced 1KWh. The final tariff in respect of each facility will be determined in accordance with the different variables which affect the base tariff as of the date of approval of the actual tariff, as relevant.

On March 19, 2023, the Electricity authority issued a decision extending the validity of the tariff for wind farms with capacity in excess of 50KW, through June 30, 2024, setting variable reduction factors based on the date when the tariff approval was received<sup>46</sup>. According to this decision, the producer may elect upon tariff approval, a term of 15 years for the tariff with reduction factors of 3% for 2023 and 7% for 2024, or a term of 20 years for the tariff with reduction factors of 5% for 2023 and 10% for 2024. The objective of this decision is to facilitate financing of wind farms, by extending the tariff regulation for a specified term of 18 months by interim directive, such that connection applicants may choose whether to construct the wind farm under market regulation (Electricity Authority resolution no. 63704) or under tariff regulation.

Due to the Swords of Iron War, on November 19, 2023, the Electricity Authority published a decision regarding a 4-month extension of the deadlines and maximum deadline for construction of certain renewable energy projects, including projects in the Wind Energy Segment<sup>47</sup>.

<sup>45</sup> [https://www.gov.il/BlobFolder/generalpage/dochmeshek/he/Files\\_Netunei\\_hashmal\\_doch\\_s\\_2022\\_nnn.pdf](https://www.gov.il/BlobFolder/generalpage/dochmeshek/he/Files_Netunei_hashmal_doch_s_2022_nnn.pdf)

<sup>46</sup> See Electricity Authority decision dated March 19, 2023. Decision 65107. Extension of validity of tariff for wind farms with capacity in excess of 50KW, connected to the distribution and transmission grid (Interim Directive): [https://www.gov.il/BlobFolder/policy/65107/he/Files\\_Hachlatot\\_65107nn.pdf](https://www.gov.il/BlobFolder/policy/65107/he/Files_Hachlatot_65107nn.pdf)

<sup>47</sup> [https://www.gov.il/BlobFolder/rfp/shimar/he/Files\\_Shimuah\\_shinar.pdf](https://www.gov.il/BlobFolder/rfp/shimar/he/Files_Shimuah_shinar.pdf)

In the regulation for electricity generation from wind energy, for facilities with capacity in excess of 50KW (AM 190-193), the reduced tariff set in tariff table 6.7-10 was revised, such that the tariff reduction would start after 40 months (rather than 36 months originally).

**(3) Regulation of the technological solution**

Construction of wind farms in Israel is subject to financing the development of a technological solution which is intended to address the needs of the defense establishment, as a result of the planned construction of wind turbines in Northern Israel, with the amount payable by the developer being paid to IEC / to the grid administrator, as a pre-condition for approval of the financial closing. These agreements also established timetables for the completion of the required land solution, in addition to the technological solution for the Ministry of Defense in connection with the construction of the wind farm, and which will be formalized in a series of agreements between the Ministry of Defense and the entrepreneur which will be completed no later than 24 months after the entrepreneur's letter of undertaking.

**(4) Minimum conditions for the completion of the regulatory process for the construction of a wind farm in Israel, relative to the published regulations**

An entrepreneur which intends to build an electricity generation system using wind energy is required to meet the conditions which were established in the relevant regulation of the Electricity Authority. The major milestones which are required according to the regulation which applies as of the Report Date include:

- Receipt of a conditional license, requiring proof of ties to the land, performance of a feasibility survey by IEC, proof of equity (at a rate of 20% of the normative cost of the planned project), provision of a bank guarantee, and proof of experience in the segment.
- Promotion of a statutory plan and issuance of a building permit for the wind farm.
- Subsequently, it will be necessary to receive tariff approval, including also approval for the depositing of building plans / permits, as well as a binding connection survey by IEC, and the signing of a binding term sheet regarding the financing of the construction of the project.
- Once the foregoing approvals have been received, it is necessary to reach financial closing, including signing a financing agreement and receiving a building permit, including approval of statutory plans by the relevant planning and construction institutions.
- Once financial closing is reached, the construction process begins, and the timetables must be met in respect of building and connecting the facility to the national power grid and receiving a permanent production license.
- As part of the regulations in respect of medium and large facilities, the Electricity Authority grants a conditional production license, which becomes a permanent production license once all of the regulatory milestones for the construction of the facility have been met. The production license lists several conditions, including the facility's scope, plan, specification, required guarantees and license period.

Additionally, the construction of a wind farm in Israel is also subject to the regulation (and financing) of the technological solution for the defense establishment, as specified above.

**(5) Wind farms which are being promoted by the Company in Israel**

For details regarding the Clean Wind Energy Project owned by the Company in the Northern Golan Heights, with capacity of 104MW, through an SPV - Clean Wind Energy Ltd. ("**Project Company**" and "**Clean Wind Energy Project**", respectively), and temporary suspension of construction work on this project, see Section 4.1 in Part B of the Report - Board of Directors' Report, and Note 10 in Part C of the Report - Financial Statements.

e. **The Company's activity in the Wind Energy Segment in Poland**

(1) **Overview**

The installed capacity of wind farms in Poland<sup>48</sup> is expected to reach 13.2GW by 2030, and 21.4GW by 2050. Since 2016, development of the Wind Energy Segment has slowed down somewhat, due to regulatory limitations that did not allow for development of new wind farms. Thus, between 2016-2024, total installed capacity of wind farms in Poland increased by 63%, from 5.8GW to 9.4GW.<sup>49</sup> However, the Company believes that upon the adoption of the Distance Law in 2023, development operations in the Wind Energy Segment in Poland should resume at increased capacity in the coming years.

(2) **Regulations and regulations in the Wind Energy Segment in Poland**

In order to meet the 2030 targets, in recent years Poland has adopted two strategic plans: Poland's energy policy for 2030 (NECP), and Poland's energy policy for 2040 (NEP2040). Along with these plans, the Polish energy market is regulated through the Polish Energy Act of 1997 and the Polish Renewable Energy Act of 2015 (RES Act), as updated from time to time, and by virtue of regulations and directives which are published thereunder.

In accordance with the provisions of the law, the arrangement which will apply to wind farms is divided into two parts - first, "**green certificates arrangement**", which is based on the sale of the electricity which is produced by the wind farms, and additionally, entitlement to green certificates, which applies to all wind farms whose construction was completed by June 30, 2016; and second, the "**tariff tenders arrangement**", which guarantees to the tender winner a fixed tariff for 15 years, in respect of a certain scope of production, which applies to all wind farms whose construction was completed thereafter. There is also trading of non-statutory green certificates (GOOs), in Poland, which constitute an additional source of income.

(a) **Green certificates regulation**

The wind farm, which is subject to the green certificate regulation, is entitled to two types of revenues: (1) Sale of the electricity which is produced by the wind farms ("**Revenues from Black Electricity**"); and (2) Revenues from the sale of "green certificates" which are provided to producers of electricity from renewable energy sources, including wind farms, in respect of each MWh of produced electricity (hereinafter: "**Revenues from Green Certificates**"). The green certificates constitute an additional income component for a period of 15 years after the commencement date of electricity generation in the aforementioned wind farm.

**Revenues from the sale of electricity:** The electricity which is produced in the wind farms can be sold to the local electricity marketer (the owner of the distribution grid in the area where the electricity is produced), or alternatively, the produced electricity can be sold on the local power exchange or in direct agreements with the electric corporations which trade and provide electricity in Poland, as well as to other electricity traders which sell electricity to end consumers.

<sup>48</sup>The figures refer to non-offshore wind farms.

<sup>49</sup> <https://energy.instrat.pl/en/electrical-system/generation-capacity-are/>

**Revenues from green certificates:** The green certificates are traded on a designated exchange in Poland. The prices of green certificates are not fixed, and vary depending on supply and demand.

Producers of electricity which are not from the renewable energy sector are obligated to purchase green certificates or to pay a fine, as a substitute for purchasing them, at an annual percentage of total electricity generated by them, as published by the regulator.

In the Reported Period, the regulator in Poland resolved to reduce the share of green certificates to be required of such companies in 2024 to 5%, compared to 11% in 2023. Consequently, in the Reported Period, prices of green certificates traded on the specified exchange in Poland declined.

Note that the Regulator may revise this decision at any time, based on considerations and priorities of the Polish Government with regard to promotion of renewable energies. For more information about results of elections held in Poland on October 15, 2023, see section 2.3 above.

In accordance with the Regulations which are in effect as of the Report Approval Date, the fine amount is not fixed, but rather will be calculated each year, and will amount to 125% of the weighted average of the prices of green certificates in the preceding year, but no more than PLN 300.03 per certificate. In parallel, it was clarified that it will not be possible to pay the fine so long as an inventory of green certificates exists on the market.

For additional information regarding the prices of green certificates as of the Report Approval Date, see Note 10b(4)(c)(1) in Part C of the Report - Financial Statements.

#### **(b) Tariff tenders regulation**

The relevant regulation which supports the construction of facilities for the production of electricity from renewable sources, whose construction was completed after June 30, 2016, is the **Tariff Tenders Regulation**. The construction of a wind farm which is subject to this regulation is conditional upon the fulfillment of minimum conditions regarding eligibility to participate in the regulation, including a building permit and connection to the grid, and winning a tariff tender process (whereby the tender is won by all of the who presented the lowest tariffs, until the quota has been exhausted).

A project for the construction of a wind farm which has won a tariff tender, as stated above, will be entitled to a guaranteed tariff, CPI-linked, for 15 years, in respect of the electricity output according to the electricity production capacity to which the entrepreneur committed when submitting its bid for the tender, throughout the eligibility period. Insofar as any additional electricity generation is left, the remainder may be sold in the free market.

The eligibility period would start no later than 33 months after award of the tender (with potential extension up to 51 months after award of the tender). A project meeting one of these conditions: (1) electricity flowing to the grid; or (2) application filed for the tender tariff; would benefit from an option to be paid at market price, should this be higher than the tender tariff, from the first date of electricity flow to the grid through the deadline of 33 months after award of the tender. In this period, all of the power generated by the project may be sold on the open market.

Additionally, an entrepreneur with a winning project for the construction of a wind farm is entitled to update, on a one-time basis, the distribution of the farm's outputs throughout the guaranteed tariff eligibility period, as well as the commencement date of the guaranteed tariff eligibility period, provided that the construction period of the wind farm does not exceed a period of 33 months after the date when they won the tender, or up to 51 months, depending on the receipt of approval to extend the period.

Based on the aforementioned amendment to the Polish Renewable Energy Law from June 2018 (as amended), the Polish legislator began publishing tariff tenders for the construction of facilities for the production of electricity from renewable energy sources, including new wind farms.

**(3) Additional legislation which is relevant to the wind farms activity in Poland:**

- (i) **The Real Estate Tax Law (RET)**, which regulates, inter alia, the basis for calculation of tax on all matters pertaining to wind turbines. For more information regarding the provision which was made by the Company in respect of its exposure to the payment of RET in 2018, see Note 30 in Part C of the Report - Financial Statements.
- (ii) **The Distance Act and Building Law**, which regulates aspects pertaining to the planning and construction of wind farms. In January 2023, after an extended period during which it was not possible to develop new projects in the wind energy segment in Poland, an amendment to the Distance Act was adopted which allows statutory planning of new wind farms, provided that the distance between the turbines and the closest place of residence is no less than 700 meters. The Company believes that the entry into effect of the amendment will allow it to continue promoting the Company's projects which are in development stages, as well as the resumption of development activities in respect of additional projects in the wind energy segment.
- (iii) For more information about electricity generation license and legislation applicable to the Company as a DSO, see section 7.1d(5) above.

**(4) Information about Company operations in the Wind Energy Segment in Poland**

In the Reported Period, the Company acted to increase its project backlog under various stages of development, by acquiring projects and/or by own development (Greenfield). For more information about elections and establishment of a new government in Poland, which may result in renewed activity in the Wind Energy Segment in Poland, see section 6.5 above.

**Presented below is information regarding the Company's wind projects in Poland:**

	Connected projects	Projects under advanced development	Projects under development
	Wind	Wind Nowa Karczwa	Wind
Capacity (MW)	301	68	586
Construction cost* (NIS millions)	1,579	420-440	
Annual revenues* (NIS in millions)	555-575 <sup>(1)</sup>	85-95 <sup>(2)</sup>	
Annual gross income* (NIS in millions)	480-500 <sup>(1)</sup>		

\* Based on Company estimates. This information constitutes Forward-Looking Information, as defined in Section 1.5 above.

- (1) In accordance with the projected results for 2024
- (2) Projected results in the first full year of operation.
- (3) The financial data are based on an exchange rate of NIS 0.93 to PLN 1.

- For main details regarding the wind farms which the Company owns in Poland in commercial operation, under advanced development and under development, see section 4.1 of Part B – Board of Directors' Report.
- For additional details regarding the wind farms which the Company owns in Poland which are classified under the item for connected and partially connected electricity production systems, and under the item for systems under construction and initiation in the statement of financial position, including fixed price transactions with respect to electricity and green certificates, see Note 10 in Part C of the Report - Financial Statements.
- For details regarding project finance transactions for the Company's facilities in the Wind Energy Segment in Poland in commercial operation, see Note 14 in Part C – Financial Statements.
- For details regarding the Company's construction and operation infrastructure, which provides services for the wind farms which it owns in Poland, see Note 10b(4)(a) in Part C of the Report - Financial Statements.

*It is emphasized that the Company's estimates regarding the projects which it is promoting, as specified in Section 7.2, and information regarding their financial data, constitute Forward-Looking Information, as this term is defined in the Securities Law - 1968, which is based on the information which was available to the Company as of the date of this report, and on the Company's estimates and plans. These estimates and plans may not materialize, due to various factors which are not under the Company's control, such as the receipt of permits, fulfillment of deadlines in the competitive proceedings, changes to system construction costs, unexpected expenses, and the materialization of one or more of the risk factors specified in Section 32 below, etc.*

### 7.3 Energy Storage Segment

#### a. Overview

Electricity storage through various technologies has existed around the world for some time; however, in recent years the need and use for it has increased significantly, mostly in light of the recognition of its important role in the optimal use of renewable energy sources and the efficient integration thereof into the transmission grid.

Energy storage replaces the need for construction of additional generation facilities and saves on areas, as well as the aspiration to reduce greenhouse gas emissions by transitioning to renewable energy, which are usually not available throughout the entire day, reinforces the need for energy storage. The use of storage solutions can solve the problem of excess production by absorbing the excess production during the daytime, and releasing it during the evening and night hours. Storage facilities can also have rapid response capabilities, providing a solution for some of the dynamic problems which impose difficulties on maintaining grid stability. Battery storage also offers additional advantages, such as relatively rapid construction times, the size and modularity of facilities, as well as the ability to incorporate them into existing infrastructure, and modular construction capabilities.

The ongoing intensive growth in the production of electricity from renewable energy sources is creating new challenges for power grid managers around the world. In particular, these entities are facing the need to react to sudden changes in electricity production due to fluctuations in production from renewable sources, a rapid increase of the residual load between daytime and nighttime hours, grid congestion during specific periods, and providing solutions for varying peaks in demand. Battery-based storage technology offers a solution to these challenge by allowing timing the time when the electricity produced in photo-voltaic facilities is fed into the national power grid throughout the day. With this technology, a battery is installed near the solar field, which is charged with electricity generated by the photo-voltaic facilities. Thus, during the daytime hours, the electricity which is produced by the panels from sunlight is fed directly into the national power grid, while during the nighttime hours, in accordance with an energy production plan which is determined in coordination with the system manager, it becomes possible to feed in electricity which has been stored in the battery to the national power transmission grid, or for self-consumption.

This storage technology has several advantages: Firstly, the possibility of increasing the production during solar hours even beyond the demand for electricity during those hours. Secondly, stabilization of the power grid by balancing sudden fluctuations through the storage systems. Thirdly, the storage system “bridges over” the critical sundown period during which electricity consumption remains high, but the solar production source becomes unavailable, thereby providing a solution both for the rapid increase in production, and for the ongoing peak demand, thereby sparing the need for construction of backup conventional power plants. Fourthly, distribution of solar electricity throughout all hours of the day and night, thereby reducing the load on the power grid's infrastructure.

According to estimates, the global energy storage market is expected to amount to 1.2TWh by 2030 (an increase by 13% relative to the previous forecast), whereby over half of installations are expected to be according to the storage model incorporating additional renewable energy in the same project, especially for solar energy.

**b. The Company's activity in the Storage Segment**

During the Reported Period, the Company continued substantiating its activity in the Storage Segment, by construction, for the first time, of projects in the PV Segment with integrated storage systems in Israel, and by growing its series of projects in the initiation stage, and by identifying opportunities in the Storage Segment in its operating territories. The Company also continued expanding its technological knowledge base by analyzing major trends and deepening its regulatory knowledge in the different territories. On the technological level, the Company continues to focus on electricity storage through lithium-ion batteries of the LFP type, mostly thanks to the substantial experience which has been gained around the world, and to its cost-benefit ratio relative to the alternatives. The Company continues to work on expanding and substantiating the storage infrastructure in its three operating territories.

**(1) Company operations in the Storage Segment in Israel****1. Overview**

As of the Report Approval Date, possible revenues from integrated electricity storage in photo-voltaic energy projects are through regulation or by a dedicated tender to govern construction of a power generation facility with integrated storage facility.

For more information about the market regulation, see section 7.1b. For more information about competitive proceeding 2 for construction of photo-voltaic facilities with integrated storage capacity, see section 7.1v(2)(b) above.

**2. Other regulations in the Storage Segment in Israel****Competitive proceeding 1**

On November 2, 2023, the Electricity Authority issued a proposed resolution regarding a call for bidding on competitive proceeding 1, to fix the capacity tariff for storage facilities connected to or integrated with the ultra-high voltage grid. According to terms and conditions of this competitive proceeding, bidders may bid for construction of storage facilities with installed capacity of 16MW to 150MW, with storage capacity of 4 hours or longer, to be connected to the ultra-high voltage grid. These storage facilities would be constructed in the North of Israel, in the Western Negev region and in the Arava region. These facilities would be eligible for a capacity tariff, to be determined using the Pay as Bid method, and eligibility for this capacity tariff would be from the start date of commercial operation of the facility through December 31, 2042.

The estimated effective date (for publication of the competitive proceeding outcome) was set at October 13, 2024. The binding date and the maximum binding date for synchronization would be 36 and 43 months after the effective date, respectively. The deadline for bidding on this competitive proceeding is June 19, 2024.

Concurrently with issue of this competitive proceeding, the Electricity Authority published another decision, regarding the regulation that would be applicable to storage facilities to be constructed pursuant to this competitive proceeding.<sup>50</sup> This regulation governs the conditions, rules and tariffs for capacity payment to which winning bidders on the competitive proceeding would be entitled, and the manner of filing generation and load plans to the grid administrator. As of the Report Date, the Company is considering bidding on this tender.

**(2) Company operations in the Storage Segment in the USA**

- (i) Due to the fact that the renewable energy market in the US is an open market, there are several possible revenue models for storage activity in the US, such as capacity commitments, buying and selling on the energy market arbitrage, and frequency regulation. The Company has a series of initiated projects at a scope of 5.8GWh, which the Company is developing while considering several possible revenue models.

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<sup>50</sup> See decision by the Electricity Authority dated November 2, 2023. Decision 67306. Regulation for storage facilities connected to or integrated with the ultra-high voltage grid, to be constructed pursuant to a competitive proceeding to fix the capacity tariff.

- (ii) Based on study of the regulation in the PJM grid, in which the Company operates, and review of economic viability of a specific project, conducted in 2023, apparently to date, there is still no economic viability for construction of storage projects in US states where the Company operates. However, the Company believes that as these markets evolve, revenues from storage projects would also evolve, so as to allow these projects to be carried out under optimal conditions. To this end, along with studying the market, the Company continues to expand its project backlog in storage, and to consider long-term contracting with relevant providers, to secure the supply chain for the project backlog under development.

**(3) Company operations in the Storage Segment in Poland**

- (i) The energy market in Poland allows several possible models, such as capacity commitments and energy market arbitrage.

**(ii) Information about capacity tenders in Poland:**

Pursuant to award of a capacity tender, the developer signs an agreement, for a term of up to 17 years, starting in the fifth year after the award date (there is also a quarterly capacity tender, for supply within one year from the award date). The price determined is uniform for all, using the Dutch Auction method, i.e. starting with a pre-determined initial price, and the price is closed once the requested and offered quantities are identical. The closing price is expressed in PLN per KW (CPI-linked) per year, for capacity to provide electricity upon demand from the grid administrator (such demand is to be given 8 hours in advance). The penalty for inability to provide electricity upon demand is capped at twice the closing price in the capacity tender in the year when electricity was not provided. The next capacity tender should be issued in December 2024, and the Company intends to bid on it for the project whose construction should start in the coming months.

**c. Presented below is information the Company's storage infrastructure:**

	Projects under construction / in pre-construction	Projects under advanced development		Projects under development		
	Israel	Israel	Poland	Israel	USA	Poland
	Photo-voltaic projects including storage capabilities	Photo-voltaic projects including storage capabilities	Nowe Czarnowo	Storage	Storage	Storage
Capacity	104 (318MWh)	23 (88MWh)	MWh48	500MWh	6,000MWh	100MWh
Construction cost* (NIS millions)	540-580	125-145	35-55			
Annual revenues* (NIS in millions) (2)	57-62	14-18	11-15			
Annual gross income* (NIS in millions) (2)	46-50					

- (1) All photo-voltaic projects with integrated storage are also included in the series of projects in the Photo-voltaic Segment in Israel, as specified in Sections 7.1(b)(3), 7.1(c)(7) and 7.1(d)(6) above.
  - (2) Projected results in the first full year of operation
- \* Forward looking information, as defined in Section 1.5 above.

*It is emphasized that the Company's estimates regarding the projects which it is promoting, as specified in Section 7.3, and information regarding their financial data, constitute Forward-Looking Information, as this term is defined in the Securities Law - 1968, which is based on the information which was available to the Company as of the date of this report, and on the Company's estimates and plans. These estimates and plans may not materialize, due to various factors which are not under the Company's control, such as the receipt of permits, fulfillment of deadlines in the competitive proceedings, changes to system construction costs, unexpected expenses, and the materialization of one or more of the risk factors specified in Section 32 below, etc.*

### **7.4 Provision of electricity to customers and additional activities**

#### **a. Overview**

Until 2020 there were 10 private providers with electricity provision licenses operating in Israel, which purchased energy from private electricity producers in bilateral physical transactions which constituted 20% of the energy produced in the market for private consumers. In light of changes to the electricity sector in Israel, on June 3, 2018 the government decided, as part of the electricity sector reform, to open up the provision segment to competition (government decision 3859). The opening of competition in the provision segment is intended to increase competition in the energy market by adding the demand side to the competition, transferring the benefits of competition to consumers, and encouraging increasing energy efficiency, while improving service to consumers.

#### **b. Receipt of electricity provider license**

A private electricity provider is an entity which receives a license for electricity provision activity, after having met the conditions prescribed in law and in regulations, which is authorized to offer to home consumers and other to purchase electricity through it. In July 2021, the Company received a provider license under the Authority's arrangement, in effect for five years.

After reviewing the market and understanding the exposure involved in the electricity market compared to returns therein, as of the Report Date, the Company resolved not to go forward with development of this operating segment.

### **7.5 Presented below is a general overview of the series of relevant agreements, mostly involving the promotion of the Company's project activities:**

#### **a. Agreements regarding land ties**

Mostly option agreements involving the provision of long term leasing rights, which guarantee the Company the right to use the land for the construction of the projects. This includes the definition of the Company's undertakings towards the land owners, in accordance with the relevant terms of the regulation, on all matters associated with the development and promotion of the project for which the agreement was signed, and timetables are established for exercising the option into a lease (for periods no longer than 24 years and 11 months in Israel, 30 years in Poland, and 35 years in the USA).

**b. Construction and operation agreements**

Agreements in which the Company, as the entrepreneurial branch, engaged with construction and operation contractors, mostly an affiliated entity of the Company, according to the one stop shop model, by virtue of which the Company undertakes to build and operate the projects on a turnkey basis (including by engaging with subcontractors). In the Photo-voltaic Segment, the operating services include preventive, inspection and repair services, as well as the replacement of replacement parts, with an undertaking to maintain a minimum level of electricity generation capacity. In the Wind Segment, it is standard for the turbine manufacturers to take care of most of the turbines' construction, and the operation of the wind farm after it becomes commercial operation, for a period of 15-20 years, including a warranty to fulfill an agreed-upon work efficiency level of the turbines (power curve).

**c. Series of project finance agreements**

It is the Company's practice to engage in agreements with leading financial institutions, for the receipt of financing for the construction or refinancing of projects it has built, on a non-recourse basis. The standard finance rate is 80%-85% for projects in the Photo-voltaic Segment, and up to 85% in the Wind Segment. These engagements also mostly include the right to increase the finance rate, upon the fulfillment of the applicable conditions, up to the maximum finance rate which was determined in the above agreements. For additional information regarding the series of financing agreements to which the Company is party, see Note 14 in Part C - Financial Statements.

**d. Engagements with equipment providers**

For more information regarding the terms of the Company's engagement with the main providers of the equipment, which is used in its facilities, see Section 7.7 below.

**7.6 Changes in the scope of activities in the field and its profitability**

During the Reported Period, the Company increased and expanded its activities, and increased its portfolio of projects in all of the Company's three anchors of activity - Israel, Poland and the USA, all while meeting the major targets which it had set for itself, while building the infrastructure to allow continued significant growth in the coming years. During the Reported Period, the Company continued working on expanding its organizational structure in Israel and around the world, while continuously evaluating the correspondence of the building to the Company's needs, currently and in the coming years, with an emphasis on substantiating the infrastructure which is required for the Company's activity in the USA, as a leading growth engine in the coming years. On all matters pertaining to the operating segment's profitability, with regard to Company operations in Poland and even more so, in the USA, it would appear that the increase in electricity prices results in an increase in profitability of new projects for generating electricity from renewable energy sources.

- For details regarding engagements and investments during the Reported Period, see Notes 10 and 14 in Part C of the Report - Financial Statements.
- For more information regarding changes in the scope of the Company's activities in the operating segments, see Sections 7.1, 7.2 and 7.3 above, as well as Note 29 in Part C of the Report - Financial Statements.
- For details regarding changes in the profitability of the operating segments, see Section 5. above, and Note 29 in Part C of the Report - Financial Statements.
- For details regarding the level of competition and its impact on the Company's activity in the segment, and on its profitability, see Section 12.

## 7.7 Suppliers and raw materials for the operating segment

The Company typically contracts in advance with suppliers of key equipment for projects constructed by the Company (and for PV panels – for an even longer term compared to other equipment) and is therefore, typically, not exposed to disruptions in the supply chain. Furthermore, the equipment suppliers with which the Company engages in all three of its operating territories are leading companies, with whom the Company has a long term strategic relationship, and therefore, the Company's exposure to supply chain delays is low.

### a. Suppliers and raw materials - Photo-voltaic Segment

The photo-voltaic systems are comprised of photo-voltaic panels and converters, steel constructions to bear the panels, trackers, cables, connectors, distribution boards and electrical rooms. The Company also has several machines which are used to wash the panels in Israel, using water. Moreover, the Company system at Neot Hovav and at three Company sites in the USA also include a sub-station.

The Company ensures to engage and acquire components for its photo-voltaic systems from leading suppliers from around the world, who have accumulated significant experience and a strong reputation in the Photo-voltaic Segment, with an emphasis on a strategic partnership which the Company has formed with panel manufacturer First Solar. For details regarding the Company's contracting with First Solar to secure supply of panels required for Company operations through 2030, see Note 15(a)(1). However, according to the Company's estimate, due to the multiplicity of companies around the world which manufacture components for photo-voltaic systems which have similar technical capabilities to the suppliers from whom the Company acquires the aforementioned components, it is not dependent on any particular supplier.

### **Product warranty in the Photo-voltaic Segment**

- (1) Photo-voltaic panels: In accordance with most of the Company's contractual agreements with the suppliers of the panels which the Company has purchased, the Company receives a 12.5 year product warranty, as well as an output warranty of up to 30.5 years, whereby the warranty begins with 98% output in the first year, and decreases at a linear rate of 0.3% per year. In total, after 30.5 years, the output warranty is for 89%.
- (2) Converters: The suppliers of converters also provide a warranty of 2 to 10 years for the converters, and the Company purchases warranty extensions from them.
- (3) There are also service and maintenance agreements, at the end of the warranty period, for extended periods, which guarantee maintenance by the supplier, mostly involving the provision of suitable replacement parts.
- (4) The trackers which have been purchased by the Company (in the USA and in Israel) have a warranty period of 10 years for the constructions to which the trackers are attached, and 5 years for the electrical and control systems.
- (5) Voltage transformers: Suppliers of transformers purchased by the Company in the USA provide a warranty of up to 5 years for transformers, and the Company may also purchase extended warranty from these suppliers.

### b. Suppliers and raw materials - Wind Energy Segment

The wind farms which the Company builds are mostly comprised of wind turbines which are provided and assembled on site by the turbine producer, which provides all of the turbine's parts: anchoring screws, steel columns, electricity generator, and three blades made of carbon-fiber-reinforced fiberglass. The remaining works in the wind farms are performed by BOP contractors: paths to transport the turbine parts, work surfaces for the cranes which lift the

turbine, the turbine's concrete foundation, the electricity collection network to transmit the electricity, earthworks to restore the prior condition, electrical rooms for the electrical connection between the turbines, and the production share. The BOP works may be performed by a large number of local contractors with contractor classification and suitable prior experience. The largest turbine manufacturers in the world include companies such as Siemens Gamesa (Germany/Spain), GE (USA), Vestas (Denmark), Nordex (Germany) and Enercon (Germany), which have similar technical capabilities. The Company believes that it will not be dependent on any particular supplier, both in respect of the BOP works, and in respect of the provision and maintenance of the turbines.

#### **Product warranty in the Wind Energy Segment**

Engagements with the turbine manufacturer in respect of all of the Company's wind farms in Poland and in Israel include a supply and installation agreement, and a maintenance agreement. Under the maintenance agreement, the turbine manufacturer is required to provide operating and maintenance services for a period of 20-25 years, under which it is responsible for the proper operation of the turbines, breakdown maintenance, preventive maintenance, and replacement of faulty components under the maintenance agreement. The maintenance agreement also includes commitments to minimum generation capacity (failure to meet the availability levels specified in the agreement result in the payment of fines by the maintenance contractor).

#### **c. Raw materials and suppliers - Photo-voltaic Segment**

Battery-based electricity storage systems include batteries which are mostly installed in a container, an inverter, management systems and a transformer. In general, the system's components can be purchased directly from the manufacturers, or through an integrator which provides a comprehensive solution in accordance with the Company's requirements - "systems". Usually, the warranty is given for the system's components, and the battery performance (degradation and efficiency) can be extended for a period of up to 20 years. During the Reported Period, as part of its preparation for realization of the capacity which it won in competitive proceeding 2 for the construction of photo-voltaic facilities with integrated storage capacity, the Company engaged with Aviam Systems Ltd. - a company controlled by Tadiran Group ("Aviam") - in a framework agreement for the purchase of a comprehensive storage solution using LFP Lithium-Ion batteries with a nominal capacity of up to 320MWh. In the transaction, Aviam provides to the Company storage containers with lithium-ion batteries of the LFP type, converters, transformers, control systems, and operating services, free of charge over five years. The transaction price includes a mechanism for linkage to the lithium prices index, and it affects the price according to the formula which was determined in the agreement.

#### **Product warranty in the Storage Segment**

The Company's contractual agreement includes a warranty for the system's component for the standard period in respect of that type of component, a warranty for the system's performance for an extendable period, and maintenance services for the period, which is also extendable up to a total period of 23 years. The warranty provided includes taking into account degradation of the system and is derived from the warranty of its various components. There is also an undertaking by the supplier regarding the availability of the system and agreed replacement parts, to secure proper operation of the system.

## 7.8 Restrictions, legislation and standardization which apply to the operating segment

### a. The Company's activity in Israel - general

The regulatory framework upon which the Company's activity in Israel is based is the relevant legislation for the electricity sector through the Electricity Sector Law, 1996, the Electricity Law, 1954, regulations and rules enacted pursuant thereto, as well as the decisions of the Electricity Authority, including the criteria book, and decisions made by the Government of Israel and the Ministry of Energy and Infrastructure. The law included the establishment of a rule stipulating that activity in the electricity sector (i.e., production, system management, transmission, storage, distribution, provision or energy trading) may not be performed without receiving a license for performing that activity, except for a few exceptions, as defined in the law. Pursuant to the law, the Electricity Authority has the authority to issue electricity generation licenses.

Previously, the electricity sector in Israel was controlled almost exclusively by the Israel Electric Corporation ("IEC"), which is classified, pursuant to the Electricity Sector Law, as an "essential service provider", being the owner of most of the electricity generation capacity in Israel, being the grid administrator (through 2021), and owner of Israel's electricity transmission and distribution grid.

In recent years, a comprehensive reform was enacted in the electricity market, designed to have IEC focus on development of the transmission segment, which was lacking and constituted a block on development of renewable energy projects, including separation of grid administration from IEC and turning it into a separate, stand-alone unit, reducing IEC operations in the generation segment, increasing generation capacity of private electricity producers by privatization of power plants, eliminating regulatory blocks, increasing generation quotas, allowing for construction of systems operating pursuant to various regulations other than Consumer One and so forth.

Additionally, the development and construction of the Company's projects, similarly to other infrastructure projects, is performed in accordance with the provisions of the Planning and Construction Law - 1965 (the "**Planning and Construction Law**") and regulations enacted pursuant thereto, particularly on all matters pertaining to licensing of construction, permit applications, calculation of areas and floor area ratios in plans and in permits. Therefore, the project construction activity is subject to complex processes involving the approval of statutory plans (zoning plans and/or national infrastructure plan) in the relevant planning and construction institutions (e.g., regional committees, the National Planning and Construction Council and/or the National Infrastructure Committee), in accordance with the stages and guidelines prescribed in the Planning and Construction Law, and regulations enacted pursuant thereto. Additionally, for the purpose of performing its activities, the Company is required to determine its rights to the land on which it builds its facilities. Accordingly, its activities are affected by the real estate laws which apply in the places where its facilities are installed, including the Israel Real Estate Law, the Ottoman Real Estate Law, the Defense Regulations, etc.

Additionally, it should be added that the Company's activity depends on the approval of other entities, including local authorities, the Electricity Authority, IEC, planning and construction entities, and various government offices, such as the Ministry of Agriculture, the Ministry of Interior and the Ministry of Defense, as well as the decisions, policies and regulations of entities who operate on their behalf.

The Company is also required to receive a business license for an electricity generation facility exceeding 5MW. Additionally, the Company, in its role as operating and construction contractor, may be exposed to the relevant aspects of legislation and regulation. It is clarified that the execution of construction and operation works by the Company on behalf of the entrepreneur are executed in practice by subcontractors with whom the Company engages. In general, to the best of the Company's knowledge, the Company complies with the restrictions, legislation and standardization which apply to its area of activity.

**b. The Photo-voltaic Segment in Israel**

(1) For more information regarding the regulatory regulation in the Photo-voltaic Segment, see Section 7.1b(2) above. For more information regarding the Environmental Treatment of Electrical and Electronic Equipment and Batteries Law - 2012, see Section 22.1 below.

**(2) Aspects involving land rights**

To the best of the Company's knowledge, in accordance with decisions of the Israel Land Authority, a lessee or agricultural lessee which holds land by virtue of a lease agreement may not sublease the land which forms the subject of the lease agreement for the purpose of building photo-voltaic systems, except in respect of sites which fall under the transitional provisions, or dual use facilities, which will be subject to specific provisions that apply to the entity holding possession of the land. Accordingly, a development agreement is required vis-à-vis the Israel Land Authority, in respect of the land on which a system is intended for construction, and its terms must be fulfilled. Additionally, in accordance with the provisions of the lease agreements, the lease of the land which forms the subject of the lease agreements, or the assignment of the rights thereunder, are subject to the Israel Land Authority's approval. Additionally, to the best of the Company's knowledge, in accordance with the decision of the Israel Land Authority, an agricultural municipality is required to hold, directly or through concatenation, at least 26% of the interests in the corporation which is a party to the development and lease agreement.

**(3) Planning and construction considerations**

In December 2010, national outline plan 10/D/10 entered into effect, regarding the regulation of planning processes for photo-voltaic facilities, from small rooftop systems to land-based photo-voltaic systems, with an area of up to 750 dunams, as it stands from time to time. The plan allows the installation of photo-voltaic facilities by entrepreneurs in two tracks: permit and plan in effect for 5 years after the date of approval (with extensions for additional 5 year periods, subject to achievement of the plan targets). In March 2016, the National Infrastructure Committee's decision to extend the national outline plan, and plans issued by virtue thereof, entered into effect. In 2020, two additional national outline plans focusing on photo-voltaic facilities were approved: national outline plan 41, and national outline plan 10/D/10/2, which were implemented as amendments 9 and 10 to national outline plan 1 (respectively). These amendments regulate the construction of wind farms

and photo-voltaic facilities according to the permit track, on greenhouses, on land designated as a path in a junction area, on existing reservoirs and fish pools which were built by virtue of the Water Law and the Drainage Law, on land designated as paths on acoustic protection or supportive walls, on land designated as cemeteries, in security facilities, and in estates. This included the establishment of guidelines for the use of storage facilities in detailed plans for photo-voltaic facilities, and adding the use of storage facilities in approved detailed plans.

Planning institutions are currently working on national outline plans for the energy storage segment.

**(4) Municipal tax ordinance for photo-voltaic facilities**

In March 2015, the Regulations in the State Economy Regulations (General Municipal Tax in Local Authorities) (Amendment) - 2015, were published (hereinafter: the "**Municipal Tax Regulations**"). The Municipal Tax Regulations establish, for the first time, a separate classification for photo-voltaic facilities, and specify the minimum and maximum permitted tariffs for the charging of municipal tax, including a separation between facilities located on rooftops, and facilities not located on rooftops, and according to the size of the facility. A low municipal tax tariff was established in the regulations, which reflects the intent of the legislator to incentivize the activity in the Photo-voltaic Segment in Israel. However, local authorities mostly collect the highest possible tariff they can collect under the regulations.

**(5) The Safety at Work Ordinance**

Within the framework of the construction and operation services which the Company provides to the projects which it owns in the Photo-voltaic Segment, the Company may be subject to laws pertaining to safety at work, and all laws which apply to the performance relevant works, including all ordinances and all regulations enacted pursuant thereto, including the Work Safety Ordinance (New Version) - 1970 (the "**Safety Ordinance**") and regulations and ordinances enacted pursuant thereto, and the Organization of Work Supervision Regulations, etc., pertaining to aspects of safety at work. As part of the above, the Company, which operates on behalf of the corporation that holds the rights to the particular project, "orderer" (as this term is defined in the relevant legislation) engages with one of the primary subcontractors in the project for the purpose of fulfilling the undertakings by virtue of the Safety Ordinance and regulations enacted pursuant thereto, including the appointment of a work safety supervisor on the site where the works are being performed, in respect of all works performed on site, by it and by other contractors with whom the orderer engages.

**c. Photo-voltaic Segment in the USA**

**(1)** The Company's activity in the Photo-voltaic Segment in the USA is subject to many environmental laws and regulations, including federal, state and local laws regarding air quality, waste management, protection of wildlife and historical resources, which affect the location, design, development, construction and routine operation of the Company's projects. Compliance with these environmental laws and regulations could affect the development and operation of the Company's projects, and even require changes or delays regarding the location, planning, construction and operation of the projects. Additionally, failure to meet the environmental requirements may result in delays in development, fines, penalties, and in certain severe cases, even criminal sanctions or injunctions.

- (2) Supervision over wholesale electricity prices in the USA, at the Federal level, is conducted by the Federal Energy Regulatory Commission, an independent regulatory agency whose manager is appointed by the President of the USA and approved by the US Senate. The Commission operates pursuant to Federal legislation, including the Federal Power Act, the Public Utility Holding Company Act of 2005, and the Public Utility Regulatory Policies Act of 1978, and is authorized to permit energy producers to sell electricity wholesale at tariffs based on market conditions, and to regulate wholesale markets in order to ensure fair tariffs.<sup>51</sup>

Upon connecting the Adams site to the grid in Pennsylvania, the Company is also subject to regulation by The North American Electric Reliability Corporation (NERC), the Federal entity charged with physical and cyber security of the national power transmission grid and of major electricity producers connected there to. NERC sets and enforces compliance with binding standards, with regard to cyber security of the site, conducts reviews of the implementation thereof, and may impose penalties on entities that fail to comply with these standards.

- (3) For more information regarding the regulatory regulation in respect of the Photo-voltaic Segment, including regarding the federal tax credit (ITC) in the USA, see Section 7.1c above.

**d. Photo-voltaic Segment in Poland**

For more information regarding the regulatory regulation regarding the in the Photo-voltaic Segment in Poland, and additional legal provisions which are relevant to the Company's activities in that segment, see Section 7.1d above.

**e. Wind Energy Segment**

**(1) Israel**

For details regarding the regulatory situation in the Wind Energy Segment, see Section 7.2(c) above.

**(a) Planning and construction considerations - National Outline Plan for wind facilities**

In September 2014, National Outline Plan 10/D/12 entered into effect, which established the planning rules and guidelines which are required for the approval of wind turbines in plans and in building permits, as amended from time to time.

**(b) Prevention of hazards**

The Company's activity in the Wind Energy Segment in Israel is subject to, inter alia, the provisions of the Hazard Prevention Law - 1961, and regulations enacted pursuant thereto, and particularly, the regulations in respect of the prevention of noise.

**(c) The Safety at Work Ordinance**

As stated above, the Company may be subject to laws pertaining to safety at work, and all laws which apply to the performance relevant works, including all ordinances and all regulations enacted pursuant thereto, including the Safety Ordinance and regulations and ordinances enacted pursuant thereto, and the Organization of Work Supervision Regulations, etc., pertaining to aspects of safety at work. As part of the above, in the Clean

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<sup>51</sup> <https://www.ferc.gov/>

Wind Energy Project the orderer engaged with a BOP contractor for the purpose of fulfilling the undertakings by virtue of the Safety Ordinance and regulations enacted pursuant thereto, including the appointment of a work safety supervisor on the site where the works are being performed, in respect of all works performed on site, by it and by other contractors (including the turbine supplier) with whom the work orderer engages.

**(2) Poland**

For more information regarding the regulation regarding the Wind Energy Segment in Poland, and additional legal provisions which are relevant to the Company's activities, see Section 7.2d above.

**f. Additional provisions of the law:**

- (1) For more information regarding the regulatory regulation in respect of the Storage Segment and for agro-voltaic facilities, see Section 7.3 above.
- (2) The Company may be affected by directives issued by the Commissioner of Banks regarding a branch-specific restriction and restrictions on the obligations of a borrower in a group of borrowers which may limit the Company's ability to receive additional financing in the projects which it is building.
- (3) The Company's activity in Israel may be affected by the restrictions which will apply to it by virtue of the Concentration Law, in accordance with the Law to Promote Competition and Reduce Concentration - 2013. For more information see Section 23 below.

**7.9 Technological changes which could have a significant affect on the operating segment**

The Company believes that the main challenge faced by the renewable energy production industry, especially in PV facilities with integrated storage, is turning these systems into regular and stable energy sources, including under different climate conditions, in a manner which will allow the facilities to provide electricity according to demand, and not according to the availability of the energy source, which would increase the reliability of the energy supply.

Note, in this regard, that in recent years progress was made in storage solutions, including due to increased research, planning and development of diverse storage technologies, which should be seamlessly integrated into electricity generation systems from renewable energies, thus allowing electricity generation systems from renewable energies a generation profile more similar to that of conventional generation facilities.

Technological developments in the electricity storage segment will allow the Company to store the electricity which is produced during the daytime hours, and to feed it into the grid later, and thereby to maximize the capability of transmitting the electricity from the facility to the power grid, and even to increase the scope of produced electricity which is fed into the power grid in certain facilities, or to provide a solution for cases involving a problem in accepting electricity into the grid during certain hours. In the Wind Segment, electricity storage in wind turbines (inter alia, during the evening and nighttime hours, which are known to involve lower loads) may allow the Company to sell more electricity during peak hours, and thereby to affect its profitability.

The Company believes that technological improvements to storage solutions are expected to reduce the costs of storage systems and increase their integration into facilities for the production of electricity from renewable energy. Technological developments in the Storage Segment and price declines affect the economic profitability of the construction of projects in the operating segment.

**In the Photo-voltaic Segment**, in recent years significant technological improvements have been introduced to solar panel models, which allow greater efficiency in the production of electricity from renewable energy sources, such as increasing panel efficiency, and bi-facial technology to produce greater output over a similar surface; significant upgrades in the development of tracker platforms, which allow changing the direction of solar panels to track the sun; advanced cleaning and washing technologies, based on autonomous robots, to improve panel maintenance and increase panel efficiency; technologies for AI-based data analysis to improve output of existing equipment and so forth.

**In the Wind Energy Segment**, technological developments place an emphasis on increasing the efficiency and output of turbines (which are primarily reflected in the size of the turbines), mostly in connection with increasing the efficiency of the turbines at low wind speeds, and increasing the capacity of the turbines, whereby, as of the Reporting Date, land-based turbines are installed with a production capacity of over 6MW. The offshore wind turbine segment is currently receiving a great deal of global attention. Currently, the turbines reach very high capacities, up to 15MW, and the emphasis in technological development can include the integration of advanced floating technologies (similarly to the field of drilling rigs).

**In the energy storage segment**, the Company focuses, as stated above, on chemical storage using lithium-ion batteries of the LFP type, which are expected to be the dominant energy storage technology in the coming decade, mostly due to their high efficiency vs. cost. According to estimates, advanced technological developments are focused on improving the battery's safety by developing a solid-state battery, and by changing the chemical composition of the battery, which could increase the battery's efficiency and useful lifetime, as well as reducing the dependence on natural resources such as lithium, thereby reducing the battery's cost. Moreover, in recent years there have been AI-based software systems developed for optimal management and control of battery storage systems in the power grid.

**Sustainability:** In addition to the above, as part of the emphasis placed on technological development in all fields of activity, an emphasis is placed on sustainability considerations. These include increasing panel lifetime, reducing the panels' ecological footprint, and developing technologies for recycling panels, recycling wind turbine blades, etc.

#### **7.10 Critical success factors in the operating segment and changes occurring therein**

**According to the Company's estimate, the critical success factors for the Company's activity in the operating segments are as follows:**

- 1) Expertise in the analysis of climate data (such as sunlight and wind power) when building and choosing the location of the Company's projects.
- 2) The establishment of targets, reaching of decisions and supportive legislation by policy-making entities to increase the component of electricity produced from renewable energy sources in general, and in the Photo-voltaic Segment, the Storage Segment and the Wind Energy Segment in particular.

- 3) The publication of quotas and tender processes by the relevant authority and regulatory updates (publication of new regulations, updates to existing regulations and changes to the electricity purchasing tariffs, concentration aspects) and in certain markets the determination of incentives to encourage the production of electricity from renewable energy sources, including tax incentives.
- 4) Project development capability, coordination between the various authorities and reducing bureaucratic barriers - coordination between the relevant government offices and local authorities, including real estate authorities; entities overseeing electricity and the production and distribution thereof, as well as planning institutions. As well as experience in engaging with municipalities according to flexible business models, while creating long term cooperative relationships with the municipalities.
- 5) Ability to identify and execute appropriate due diligence on the projects, from the legal, commercial and engineering perspectives.
- 6) Financial robustness as reflected, inter alia, in the financial strength to provide the capital which is required for investment in the projects, and the costs of energy production from other sources, and the ability to receive the required financing for the Company's activity, while creating financing regulations which are adapted to the projects and regulations in each territory.
- 7) The ability to locate appropriate land reserves, and the availability thereof, as well as the Company's access to additional projects for investment with economic profitability, which are available for construction.
- 8) Reputation, experience and proven ability to initiate, develop and build projects of significant scopes.
- 9) Ability to meet the specified timetables in accordance with the relevant regulations for the operating segments in the various countries.
- 10) The ability to leverage business contacts and relationships with leading contractors and suppliers, in order to allow economic maximization of each project.
- 11) Analytical capability and an understanding of the pricing characteristics in the market, and analysis of trends in the pricing of the main equipment which is required for the construction of the facilities, particularly panels, wind turbines and storage systems.
- 12) Real-time planning, construction and project management capabilities, as well as maintenance, control and error correction capabilities, in order to achieve maximum output. Additionally, in order to produce the greatest potential from the storage system, monitoring, data analysis and real time decision making capabilities are required.
- 13) The Company's ability to adjust itself quickly to technological innovations in the market, in order to exhaust the greatest potential from its activity.
- 14) The prices of electricity and the demand for electricity from renewable energy sources by companies in markets where electricity is sold on the free market, and the ability to enter into agreements with relevant entities for this purpose.
- 15) The Company's ability to identify optimal storage strategies, based on relevant legislation.
- 16) Familiarity and continuous monitoring of technologies, while adjusting them to the selected applications in the Company's operating territories.

### **7.11 Main barriers to entry and exit in the operating segment**

**The Company believes that the factors specified below constitute the main barriers to entry in the Company's operating segments:**

- 1) Stakeholders' support for the relevant activity, and the availability of the capital required to finance the development stage and the provision of the equity required for the construction, or alternatively, access to financing sources for the purpose of providing the aforementioned required capital, including financing development activities throughout the period for the development of projects in the Wind Energy Segment, which could be spread out over several years, and demand significant investments, under uncertain conditions.
- 2) Ability to create land ties - Identifying suitable lands and engaging in rental/lease agreements in connection with the land / real estate on which the Company wishes to install the photovoltaic systems or wind turbines.
- 3) Familiarity with the various regulatory directives which apply to the operating segment, and compliance therewith, within timetables which allow the creation of a competitive and sustainable business plan, for the purpose of contending in and winning competitive proceedings and tariff tenders, and the ability complete all of the planning and regulatory processes which are required in order to build the projects quickly and efficiently.
- 4) The receipt of the regulatory approvals and licenses which are required for the purpose of completing the construction of facilities for the production of electricity from renewable energy sources.
- 5) Availability of power grids - ensuring space on the power grids, and the existence of continuous connection capability to power grids.
- 6) Hardening of financing conditions due to changes in the financial markets.
- 7) Ability to engage in PPA's with high-quality partners.
- 8) Increased competition in the renewable energy markets due to the entry of new players which develop new projects in a relatively limited scope, but which create pressure on returns.
- 9) Reputation, professional experience in the planning, development, construction and connection of facilities for electricity generation using renewable energies.

**The Company believes that the main barriers to exit in the operating segments (i.e., realization and sale of projects to third parties) include:**

- 1) Fulfillment of the economic, commercial, legal, technical and regulatory conditions which are required of the owners of a project / company which hold the project in case of transfer of control (equity, experience and concentration aspects).
- 2) The Company's ability to be released from its liabilities by virtue of agreements with the landowners; financing providers, PPAs (including virtual sale of electricity or hedging transactions), service providers and partners in operations.
- 3) Forfeiture of construction guarantees due to non-fulfillment of timetables and loss of the guaranteed tariff, and the quota in respect thereof.

For additional details regarding the competition in the Company's operating segment, and the concentration of risk factors in the Company's activity, see Sections 12 and 32 below.

### **7.12 Alternatives to products in the operating segment and changes occurring therein**

Renewable energy includes, inter alia, thermosolar energy, biomass, biogas, hydro-electric energy, geo-thermal energy, and wave energy. Except for photo-voltaic energy and wind energy, all types of renewable energy constitute alternatives to the Company's operating segment. However, it is not always possible to use alternatives, since their use depends on supportive regulation, climate conditions, availability, etc.

As of the Report Approval Date, the major advantage of the production of electricity through wind energy, photo-voltaic energy and the use of storage technologies is the absence of greenhouse gas emissions and their safety of use, as opposed to power plants based on nuclear energy and fossil fuels, including natural gas, coal, fuel oil and diesel fuel, which cause environmental pollution and/or environmental risk in case of malfunctions, although the ability to produce electricity from these sources does provide certainty and stability.

## **8. Products and services**

In the Reported Period and as of the Report Approval Date, the Company is engaged in the sale of the electricity and associated products, such as green certificates, which it produces, through systems for the production of electricity from renewable energy in the Photo-voltaic Segment, in the Wind Energy Segment, and in the Storage Segment, which it initiates, builds and operates.

For additional details, see Section 7. above and Notes 10 and 29 in Part C of the Report – Financial Statements.

Moreover, in the Reported Period upon the receipt of the electricity provider license in Israel, the Company began providing electricity to private end users. For more information, see Section 7.4 above.

Additionally, as part of the Company's activity, the Company routinely provides an extensive construction and/or operation infrastructure services for its owned projects (wholly or jointly owned) in construction stages and/or in commercial operation, as applicable. As part of the above, the Company is managing, directly and/or through local companies, the infrastructure of management, oversight, and quality control which are relevant to the projects in question, and where required, also operation and maintenance of the site. In some projects, the Company is also responsible for the execution of the construction works. The Company's construction and operation infrastructure provide the project companies with managerial and consulting infrastructure for the purpose of the processes involved in the construction and management of the projects, in accordance with pre-defined agreements between the Company and the project companies. In accordance with standard industry practice, the Company charges management and development fees from the project companies in respect of the services which it provides in these areas.

## **9. Segmentation of revenue and profitability of products**

Below is composition of Company revenues in each of 2022 and 2023:

	For the year ended December 31			
	2023		2022	
	NIS in	%	NIS in	%
Israel (*)	149,425	21.9%	131,484	24.9%
Poland	484,351	71.0%	354,345	67.2%
USA	48,130	7.1%	41,496	7.9%
<b>Total</b>	<b>681,906</b>	<b>100%</b>	<b>527,325</b>	<b>100%</b>

For additional information, see Notes 17, 18 and 29 in Part C of the Report - Financial Statements.

## 10. Customers

### 10.1 Revenue from third parties in Israel

#### a. **Essential service provider – IEC**

As of the Report Date, the Company's main customer in Israel is IEC (the critical service provider), which, in accordance with the terms of the relevant regulation, engages with designated corporations which are owned by the Company in long term agreements (20-23 years, depending on the regulatory terms). The engagement with IEC is done in accordance with tariffs which were determined by the Electricity Authority within the framework of the previous regulation, and since 2017, this engagement is implemented according to the tariff which was determined in the relevant tender (for more information the tariffs which are relevant to the Company's facilities, see Section 7.1b(2) above). In light of the Electric Corporation's status, and the government's support for its liabilities, and for the electricity sector in its entirety, the Company does not believe that the aforementioned dependence could significantly affect its activities.

Company revenues from IEC during the Reported Period amounted to NIS 147 million, or 22% of total Company revenues, and 99% of total revenues in Israel in particular, during the Reported Period.

#### b. **Private provider – Electra Power Supergas**

Given the Company's decision to designate the projects pursuant to competitive proceeding 2 for construction of PV facilities with integrated storage capacity under the market model regulation, the Company signed, through wholly-owned entities, agreements to sell electricity to Electra Power Supergas as a private provider. As part of the agreements, and subject to the approval of the assignment of the facilities to the market model arrangement, instead of the competitive proceeding, the Company undertook to sell to Electra Power Supergas the electricity which is expected to be produced in 6 projects constructed pursuant to this competitive proceeding (based on actual production), and the entire storage capacity of those projects, at electricity prices which are significantly higher than the winning tariff to which the projects were entitled under the competitive proceeding. The Company is also evaluating possibilities of implementing a collaboration with other private provider(s) to purchase the electricity generated by Company-owned renewable energy facilities. In accordance with the terms of the market regulation, the facilities can be assigned to the regulation only after their construction has been completed, and after they have fulfilled all of the conditions and undertakings in accordance with the provisions of competitive proceeding 2 (storage).

#### c. **Green Certificates**

During the Reported Period, the Company had revenues in an insignificant scope from the sale of green certificates to which it is entitled in respect of the production of electricity from renewable energy sources (IRECs).

## 10.2 Sale of electricity and green certificates in Poland

### a. Overview:

Due to the fact that the electricity market in Poland is a developed market in terms of customers, electricity in Poland can be sold to various entities which are active in the electricity segment, and to electricity traders (electricity marketers, brokers and other entities).

### b. Customers with whom the scope of the engagement exceeds 10% of total revenues:

In the Reported Period, the Company sold to Axpo Trading AG (“Axpo”), a subsidiary of a leading Swiss company which traded electricity and operates in Poland, all of the physical (“black”) electricity which it produced in all of the 5 wind farms which are commercially active in Poland (of which one is still in the run-in and testing period), as well as 86% of the total green certificates which were provided to it in respect of those wind farms.

In accordance with the power purchase agreements vis-à-vis Axpo, the electricity will be sold according to the price of electricity on the local power exchange, or according to a fixed price which will be determined as part of a fixed price transaction which will be executed between the parties, as chosen by the Company, after deducting the adjustments as specified in the agreement, including adjustments in respect of the wind farm’s electricity production profile (depending on, inter alia, capacity and actual production hours). The Company may also engage in financial transactions to fix the price of electricity and/or reverse transactions (through unwinding of existing financial transactions), in respect of the capacity to which the Company is committed, independently of actual production. The Company also sells the green certificates which were allocated to it by virtue of the previous regulation and/or by virtue of entitlement to green certificates in respect of the production of electricity from renewable energy sources (Goos), within the framework of power purchase agreements with a local broker, at market prices and/or as part of financial transactions for fixed prices, in respect of the capacities and periods which were agreed between the parties.

The Company’s revenue from Axpo during the Reported Period amounted to NIS 327 million, which constitute a rate of 48% of the Company’s total income in its consolidated reports.

For details regarding fixed price electricity transactions during the Reported Period, and fixed price transactions with respect to electricity and green certificates during the Reported Period and in respect of 2022 to 2024, see Note 10b(4)(c) in Part C of the Report - Financial Statements.

## 10.3 Sale of electricity and green certificates in the USA

### a. Overview:

Due to the fact that the electricity market in the USA is an advanced market in terms of customers, electricity can be sold in the USA to various entities which are active in the electricity segment and which trade electricity, including by splitting the sale of electricity into the sale of physical electricity, and financial hedging transactions (electric companies, brokers and other entities). Moreover, sale of green certificates is possible as part of a PPA or by a separate special agreement. During the Reported Period, total revenues from the Company’s activity in the USA was less than 10% of the Company’s total revenue in its consolidated reports.

For details regarding power purchase agreements in which the Company engaged in connection with its activity in the USA (including by hedging the price of electricity), see Notes 10b(2)(b) and 10(b)(2)(c). For more information about negotiations to establish long-term strategic collaboration for future projects with capacity of 1GW or more, see section 2.4 of Part B of this report – Board of Directors' Report.

## **11. Marketing and distribution**

As of the Report Approval Date, Company operations in the Photo-voltaic, Wind Energy and Energy Storage Segments in Israel does not require marketing and distribution to energy consumers, since the Company's only customer is the essential service provider, which is required, in accordance with local regulation, to contract long-term agreements with the Company. Moreover, opening the provision segment and the open market regulation, whereby the Company contracts with private provider(s) to purchase electricity generated by Company facilities, does not require any marketing or distribution infrastructure.

On all matters associated with the Company's activity in the Wind Energy Segment in Poland, the Company has no need for marketing and distribution, since during the Reported Period, and as of the Report Approval Date, the Company sells the electricity generated by wind farms in commercial operation to a local electricity broker. Additionally, on all matters associated with the sale of green certificates which are allocated to the Company's wind farms in Poland, these are sold on the exchange, or alternatively, in over-the-counter transactions (including through future transactions). For contracting by the relevant project company for sale of electricity generated by the Company's wind farm in Poland and sale of the green certificates awarded there to, see section 10.2 above and Note 10b(3) in Part C of the Report – Financial Statements.

On all matters pertaining to the Company's activity in the USA, the Company has no need for marketing or distribution, since the electricity from the Company's facilities is sold to the local electric companies to which the facilities are connected, in accordance with the local regulation, while in parallel, the Company works on creating agreements for the sale of the electricity and/or to fixed price transactions regarding the sale of electricity and the sale of the green certificates. Transactions of this kind have significant market demand, and the Company has developed an extensive and well-established series of relationships with the leading players in the segment, which allows it to engage in agreements of this kind, while maximizing the Company's returns.

## **12. Competition**

As of the Report Date, many companies operate in Israel and in other markets in which the Company is engaged in the renewable energy sector in general, and in the Photo-voltaic Segment and the Wind Energy Segment in particular.

In general, according to the Company's estimate, the renewable energy sector is competitive, and since the activities of entrepreneurs in the renewable energy sector in Israel and in Poland depend on the quotas which are published by the Electricity Authority, or by the local regulator, or in tariff tenders, the Company's ability to execute the projects which it is promoting may be restricted, insofar as the quotas which will be published by the regulator are fully used by competitors, or if the Company does not win the tariff tenders.

### **12.1 Competitive conditions in the Photo-voltaic Segment**

According to the Company's estimate, as of the Report Date, 5-10 relevant competitors are active in the market for high voltage and ultra-high voltage photo-voltaic facilities in Israel. The segment for ultra-high voltage photo-voltaic facilities which are connected to the transmission grid has fewer competitors, due to the high barriers to entry, and the Company estimates that it has around five main competitors in this segment. In the high and ultra-high voltage facilities segment, there is a trend of increasing the market share of players with significant equity.

The PV market in the USA is a complex market, composed of multiple sub-markets, depending on the project location in the grid, how it is connected to the grid (high or ultra-high voltage) and the state in which the project is located. The US market and sub-markets is saturated with producers and consumers, and therefore competition for all matters pertaining to long-term agreements for the sale and purchase of electricity. As of the Reported Period, and as of the Report Approval Date, the Company estimates that its share in the Photo-voltaic Segment in the USA is immaterial.

The integration of storage technology in PV facilities increases the projects' level of complexity and barriers to entry in the field; however, in light of the Company's extensive experience, and its specialization in complex projects of various types, the Company has a relative advantage in the development and construction of complex projects.

### **12.2 Competitive conditions in the Wind Energy Segment**

There is less competition in this segment, due to the need for significant investments in the project development stages, and due to the high barriers involved in their construction. To the best of the Company's knowledge, several companies are currently active in the Israeli wind market which compete directly with the Company, or which have the ability to compete with the Company in Israel.

The wind market in Poland includes dozens of local and international players which are direct competitors of the Company.

As of the Reported Period, and as of the Report Approval Date, the Company estimates that its share in the wind energy market in Israel and in Poland is immaterial.

### **12.3 Dealing with the Corporation's competition and competitive position**

The Company substantiated its position as a leading player in the renewable energies segment in general, and in the Photo-voltaic and Wind Energy Segments in particular, through experience and professionalism, high-quality and fast decision making, its strong reputation and business ties with the leading entities in the renewable energies industry, the use of high-quality technical components, project execution and management capabilities, access to and identification of projects which are suitable for the Company's activity, all while providing available capital for investment in those projects. On the other hand, the entry of additional players into the sector, which are able to build and finance large scale projects; The multiplicity of players, which may lead to the exhaustion of quotas for the sale of electricity, while using low quality products, of low prices, by some market players, which could cause an erosion of profitability, and could adversely affect the Company's competitive position. However, the Company is working to continuously improve its performance in all of the aforementioned areas.

For more information regarding the tools and means which the Company has developed in order to maintain its relative advantage, see Section 1.5 above.

### 13. Generation capacity

For information regarding the Company's electricity generation capacity, see Note 10 in Part C of the Report - Financial Statements.

### 14. Seasonality

The sunlight and the speed of the wind in the different seasons naturally have an effect on the output of the photo-voltaic systems and wind farms. As regards the photo-voltaic activity, in the spring and summer, in which the sunlight is stronger, the output of the photo-voltaic systems is higher. In the fall and winter, in which the sunlight is relatively weak, the output of the systems decreases. In regard to the wind energy activity, the production of electricity is subject to changes in wind patterns over the seasons of the year, according to the specific area in which the turbines are located, and also to variations in wind patterns between the years. Based on the wind measurements which were made in the area of the Company's wind farms in Poland, the expectation is that the autumn and winter periods (first and fourth quarters), which are characterized by strong winds, will be the months of increased output in the wind farms. It is hereby clarified that actual weather conditions during a certain period may have a significant impact on the ability of the Company's facilities to produce electricity, whether in the Photo-voltaic Segment or in the Wind Energy Segment. Furthermore, seasonality may have an impact on electricity prices in countries where electricity prices are determined by supply and demand. Insofar as the Company is exposed to the electricity prices in those countries, such as Poland, changes in the prices of electricity could affect the Company's revenues.

Due to Company sensitivity to seasonality and to the weather, climate changes and severe weather events may impact Company operations and its electricity generation capacity (in either direction), as well as the Company's ability to estimate its actual electricity generation.

Presented below is the distribution of revenue from the sale of electricity from the Company's systems during the Reported Period:

Distribution of revenue due to seasonality	Q1	Q2	Q3	Q4	Total
In the Photo-voltaic Segment in Israel	20%	30%	31%	19%	100%
In the Wind Energy Segment in Poland	32%	20%	19%	29%	100%
In the Photo-voltaic Segment in the USA	20%	31%	32%	17%	100%

Presented below is the distribution of revenue from the sale of electricity from the Company's systems during 2022:

Distribution of revenue due to seasonality	Q1	Q2	Q3	Q4	Total
In the Photo-voltaic Segment in Israel	20%	30%	30%	20%	100%
In the Wind Energy Segment in Poland	29%	23%	19%	29%	100%
In the Photo-voltaic Segment in the USA	20%	31%	32%	17%	100%

### **15. Fixed assets**

Most of the Company's facilities are installed on land and leased areas which are not owned by the Company. The leased areas are leased to the Group for long periods of up to 20-23 years in Israel, up to 30 years in Poland and 25 years (with options to extend by an additional 10 years) in the USA. However, in the USA and Poland the Company sometimes buys land which it uses for its activity. The property of the facility is owned by the Company (but may be pledged in favor of financing entities), and includes, in the Photo-voltaic Segment, primarily the panels, the inverters, the installation infrastructure, and, if necessary, also substations, and in the Wind Energy Segment, includes the wind turbines, substations (if any are installed in the wind farm), and the electricity infrastructure which is used to connect the wind farm and transmit the electricity produced therein to the power grid. It is hereby clarified that insofar as the Company (directly or through companies and partnerships which it owns) receives financing in respect of the facilities which it owns, all of the rights to those facilities are charged to secure the Company's liabilities by virtue of the financing agreements.

It is the Company's practice to rent its offices in three territories, for amounts which are immaterial to the Company's activity. For additional information, see Note 25b(3) and 7 in Part C of the Report - Financial Statements.

The Company has no material fixed assets other than the electricity generation systems which it owns. For additional information, see Note 10 in part C of the Report – Financial Statements.

For details regarding the rental of rooftops and areas for the purpose of building projects, see Note 9 in Part C of the Report - Financial Statements.

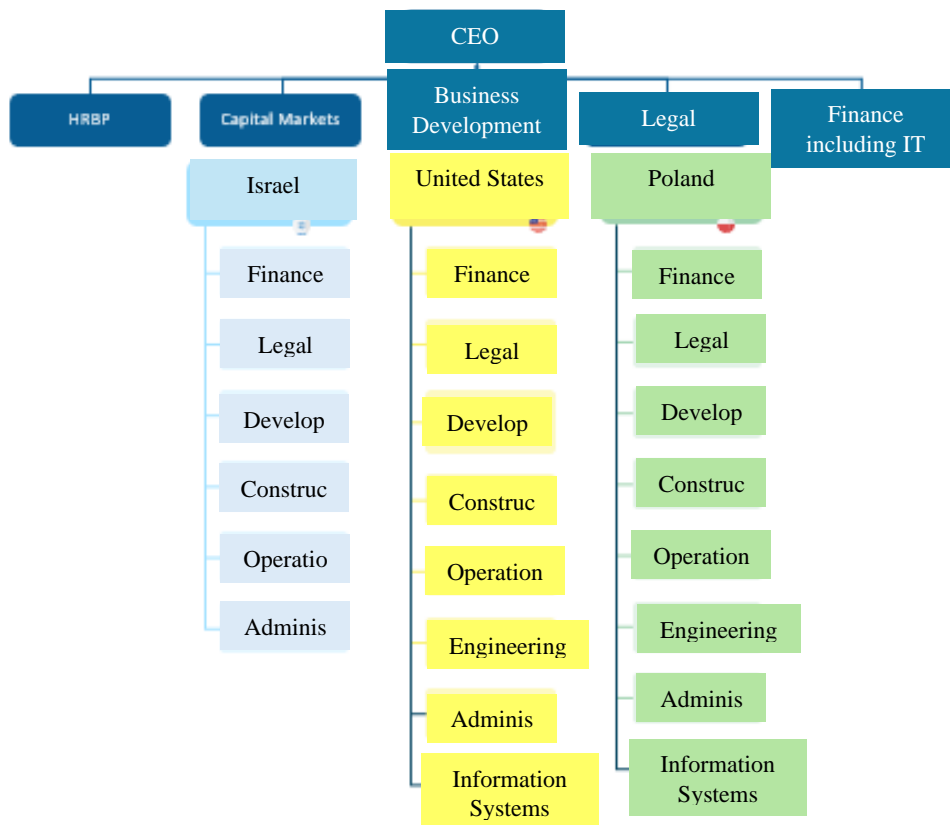
### **16. Intangible assets**

As of the Report Approval Date, the Company holds registered trademarks for use of the Company name and logo, in Israel and overseas, in conformity with countries in which the Company does business.

**Human capital**

**17.1 Organizational structure**

As of the Report Date, Company staff consists of 209 employees in total: 87 in the USA, 46 in Israel, 45 in Poland and 31 in the corporate headquarters. Presented below is a diagram illustrating the Company's organizational structure as of the date of the report:



Company operations are organized into territories, with each territory operating independently and reporting to the corporate headquarters, which provides management services, professional services and support for operations in the territories. In light of the foregoing, during the Reported Period and as of the Report Approval Date, the Company is continuing to expand its workforce, to support the extensive operations anticipated, and is intensively acting to recruit additional employees across all territories. The Company has also concluded the process of separating the three territories into independent arms professionally managed by company headquarters.

As of the Report Approval Date, the Company employed, directly and indirectly, 209 employees, compared with 160 employees as of the previous year's report, and expects to employ 274 employees by end of 2024. All employees receive training which is sufficient for the purpose of fulfilling their responsibilities, with 45 of the employees being employed by a wholly-owned Polish subsidiary, 46 employed by a wholly-owned Israeli subsidiary, 87 employees employed by the Company's US subsidiary and 31 employees employed by the Company headquarters. The employment agreements include the employee's employment terms, social benefits, vacation days, food and lodging expenses, convalescence, advance notice prior to conclusion of employment, confidentiality undertaking, etc. For the most part, the Company's liabilities for employee severance benefits are covered by

provisions to managers' insurance policies and a severance pay reserve. The Company also has an equity compensation plan for employees (for details, see Section 17.5 below). The Company provides holiday gift vouchers and annual bonuses (in cash or as capital compensation) in accordance with the employee's performance during the relevant year, and the Company's business results.

The Company's headquarters in Israel also receives management and support services from Alony Hetz, through its employees, in various areas, including strategic accompaniment, business policy, business development, assistance with raising capital and financing, accounting and legal considerations, and tenure of Alony Hetz employees as directors in the Company (hereinafter: the "**Management Services**"). The management services, and the consideration in respect thereof, are regulated within the framework of the management agreement with Alony Hetz. For additional details, see Regulation 22 in Part D of the Report - Additional Details, and Note 25a in Part C of the Report - Financial Statements.

The Company has no significant dependence on any particular employee.

### **17.2 Corporate officers and executives in Israel**

The Company's corporate officers who are not directors are employed through personal employment agreements, and in accordance with the compensation policy.

For more information about the Company Chairman and services provided thereby pursuant to a management agreement signed with Alony Hetz, see Note 25a in Part C of the Report – Financial Statements; (2) For more information about highlights of the Company CEO's employment contract, decisions regarding annual remuneration and options awarded there to, see Regulation 21 to part D of the Report – Additional Details, and Note 25 in Part C of the Report – Financial Statements; (3) For more information about highlights of employment contracts of Company officers, including decisions regarding annual remuneration and options awarded to each of these, as the case may be, and a decision by the Company Board of Directors (after recommendation by the Remuneration Committee) to amend these employment contracts, as the case may be, see Regulation 21 to part D of the Report – Additional Details.

For more information regarding release, indemnity and officers' liability insurance, see Note 25d in Part C of the Report - Financial Statements.

### **17.3 Material changes in the Company's workforce during the Reported Period**

As stated in Section 17.1 above, during the Reported Period there was a significant increase in the Company's workforce in Israel and abroad, including the continued substantiation of offices and subsidiaries in Israel, the USA and Poland, and the recruitment of employees in those territories.

### **17.4 Compensation plans for corporate officers**

On August 14, 2022, the Company's general meeting approved a compensation policy for the Company's officers. For more information, see the corrective immediate report regarding the

convention of the general meeting dated August 9, 2022 (reference number 2022-01-100924), which is presented herein, in its entirety, by way of reference.

### **17.5 Options plan for employees and corporate officers**

The Company considers the provision of equity compensation, which constitutes long term compensation, as consistent with the Company's objectives, and as creating an identity of interests between the employee and the Company's success. Additionally, the provision of options-based compensation does not involve any cash flow expense for the Company.

As of the Report Approval Date, the Company had 5 options plans in effect, by virtue of which options were granted, or can be granted, to employees, service providers and corporate officers in the Company for the acquisition of Company shares, in accordance with the provisions of section 102 of the Income Tax Ordinance (New Version) ("**Section 102**"), or pursuant to tax statutes applicable to offerees in the target countries:

- a. **2014 options plan for employees and officers:** In accordance with the terms of the plan from March 2014, as amended from time to time (hereinafter: "**2014 Plan**"), and except in case the Company's Board of Directors has resolved otherwise, options which have been granted in accordance with the plan will be subject to a two year vesting period, and will be exercisable until the end of 3 years after the actual grant date, in respect of options which will be granted from that date onwards. The exercise price will be determined in accordance with the higher of:
  - (1) The Company's average share price on the stock exchange during the 30 trading days ending one day before the Board of Directors' resolution to grant the options.
  - (2) 8% over the share price, at the end of the stock exchange trading day before the date of the Board of Directors' resolution to grant the options.

As part of the amendments to the 2014 plan, a possibility was given to exercise options through "net exercise" mechanism, according to the formula, which is specified in the options plan, and to allocate options to offerees who are not residents of Israel, including a sub-plan which was adopted for the purpose of granting options to offerees in the USA. On March 10, 2022, the Company's Board of Directors passed a resolution to amend the plan, in which the number of options which may be allocated by virtue of the 2014 plan was increased from 32 million options to 42 million options.

It is hereby clarified, within the framework of allocations by virtue of this plan, that some of the options were granted to corporate officers or employees instead of a cash bonus, and therefore, the Company's Board of Directors, by virtue of its authority in accordance with the aforementioned plan, accelerated the vesting of those options which were granted instead of cash, such that they will be immediately exercisable.

- b. **2016 long term options plan for the Company's CEO:** For details regarding a designated options plan for the Company's CEO, as approved in the general meeting on May 2016, and regarding the options which were allocated to the Company's CEO in accordance with the aforementioned plan, see Note 25c in Part C of the Report - Financial Statements, and the supplementary immediate report regarding the convention of the general meeting on April 24, 2016 (reference number 2016-01-046399), which is presented herein, in its entirety, by way of reference.

- c. **2019 long term options for the Company's CEO:** For details regarding a designated options plan for the Company's CEO, which was approved by the general meeting in July 2019, and regarding the options which were allocated to the Company's CEO in accordance with the aforementioned plan, see Note 25c in Part C of the Report - Financial Statements, and the immediate report regarding the convention of the general meeting on June 24, 2019 (reference number 2019-01-062929), which is presented herein, in its entirety, by way of reference.
- d. **2022 long term options plan for the Company's CEO, officers and employees:** In accordance with the terms of the plan from August 2022, and unless the Company's Board of Directors has decided otherwise, 1/3 of the options which were granted according to the plan will be subject to a four year vesting period, 1/3 of the options which were granted according to the plan will be subject to a 5 year vesting period, and 1/3 of the number of options which were granted according to the plan will be subject to a 6 year vesting period. All of the options will be exercisable until 14 days after the vesting date of the third tranche. The exercise price was determined according to the date of the Board of Directors' resolution, and reflects a price which is 1.65 times the share price at the end of last trading day before that date. For more information regarding the long term options plan for the Company's CEO, officers and employees, as approved by the general meeting in August 2022, and regarding the options which were allocated to the Company's CEO in accordance with that plan, see Note 25 in Part C of the Report - Financial Statements, the supplementary immediate report regarding the convention of the general meeting dated August 9, 2022 (reference number: 2022-01-100924), and the corrective immediate report regarding a material and immaterial, non-extraordinary, private offer of the Company's securities (reference number: 2022-01-100879).
- e. **2024 Option plan for officers, employees, Board members, advisors and service providers:** On February 18, 2024, the Company Board of Directors approved an option plan for award to officers, employees, Board members, advisors and service providers of options to purchase Company shares, subject to Tax Authority approval to apply provisions of Section 102 to this plan.

In conformity with plan terms and conditions, the Company Board of Directors would determine the vesting and exercise period of the options, as well as the exercise price, upon the award date, subject to applicable tax laws and to the Company's remuneration policy, if applicable. The plan allows for net exercise of options, based on a formula set forth in the option plan, and allows for options to be allotted to offerees not resident in Israel, including a sub-plan adopted for award of options to offerees in the USA. It is hereby clarified, within the framework of allocations by virtue of this plan, that some of the options were granted to corporate officers or employees instead of a cash bonus, and therefore, the Company's Board of Directors, by virtue of its authority in accordance with the aforementioned plan, may accelerate the vesting of those options to be awarded *in lieu* of cash, such that they will be immediately exercisable. This plan would become effective subject to Tax Authority approval (or 30 days after being filed with the Tax Authority, if no comments should be received).

- f. For details regarding the granting of options to the Company's employees and to the Company's corporate officers, including for the Company's employees and consultants in Poland and in the United States, during the Reported Period and until the Approval Date of the Report, see Note 32e in Part C of the Report - Financial Statements, and Regulation 21 in Part D of the Report - Additional Details.

## 17. Raw materials and suppliers

For more information regarding the raw materials which are relevant to the Company's activity in the Photo-voltaic Segment, in the Wind Energy Segment, and in the Storage Segment, and the Company's liabilities vis-à-vis suppliers, see Sections 7.7a and 7.7b above, respectively.

## 18. Working capital

For more information about working capital shortfall which does not indicate a liquidity issue, see Section 5.5 in Part B of the Report - Board of Directors' Report.

	Amount recognized on the financial statements (NIS in thousands)	Adjustments (for the twelve-month period)	Total
Current assets	1,394,608	-	1,394,608
Current liabilities	2,048,868	-	2,048,868
Excess current liabilities over current assets	654,260	-	654,260

## 19. Financing

### 20.1 Overview:

In the coming year, the Company is expected to provide significant capital to finance the construction of the electricity production projects in which it is involved in the Photovoltaic Segment, in the Wind Energy Segment, and in the Storage Segment (integrated with PV or stand-alone storage facilities). The Company's activity is financed by the cash flows which arise for it from in commercial operation projects, the cash balances at its disposal following the capital and bond raisings which it executed, the exercise of share options and withdrawals that were made in the framework of project finance transactions to which the Company is party.

For additional information regarding external financing agreements to which the Company is party, see Note 14 in Part C of the Report - Financial Statements. For additional details regarding the issuance of the Company's bonds (Series A) and convertible bonds (Series B), by way of a series extension, see Appendix D to Part B of the Report - Board of Directors' Report, and Note 14 in Part C of the Report - Financial Statements.

## **20.2 Credit rating**

As of the Report Date and as of the Report Approval Date, the Company has credit ratings from the two rating agencies, as follows: a rating of A.ii, stable outlook, from Maalot (S&P), and a rating of A2.ii, stable outlook, from Midroog. For details regarding the rating of the Company's bonds, see Appendix D to Part B of the Report - Board of Directors' Report.

## **20.3 Reportable credit:**

As of the Report Date and as of the Report Approval Date, the Company has financing agreements with third parties structured as project finance and on a non-recourse basis, which are secured by the facilities owned by the Company (directly or indirectly). For details regarding agreements for the provision of a credit facility, including material agreements, see Note 14 in Part C of the Report - Financial Statements.

Note that of all financing agreements and credit facilities available to the Company, agreements with a facility balance for withdrawal and/or a debt balance pursuant there to exceeds NIS 490 million as of the Report Date constitute Reportable Credit.

## **20.4 Presented below is information regarding additional financing sources which may be available to the Company and the Group:**

In 2024 the Company may be required to raise financing sources for its operating activities, with an emphasis on the construction of projects for the production of electricity in all of its operating segments, and in accordance with the realization of its goals and strategy. The Company will consider raising sources, as stated above, in accordance with the market opportunities and in accordance with its needs, as they stand from time to time.

- (1) For details regarding the Company's engagement in agreements to finance the construction of the Winning Projects in the first, second, third and fourth competitive processes of the Electricity Authority, see Notes 14c in Part C of the Report - Financial Statements.
- (2) For more information regarding the Company's engagement in agreements to finance the construction of the wind farms in Poland Banie Stage 3 (82MWp) And Sepopol (44MWp), in the amount of up to PLN 550 million (NIS 440 million), see Note 14c in Part C of the Report - Financial Statements. For more information see Note 10b(4)(d)(2) in Part C of the Report - Financial Statements.
- (3) For details regarding the Company's engagement in an agreement to finance the construction of the wind farm in Poland Banie Stage 4 (56MWp), in the amount of up to PLN 290 million (approximately NIS 215 million), see Note 14 in Part C of the Report - Financial Statements.
- (4) For details regarding the engagement by an investee of the Company in an agreement to finance the construction of the Clean Wind Energy Project, in the amount of up to NIS 650 million (the amount of financing may increase after the project becomes commercially active), see Note 14 in Part C - Financial Statements.
- (5) For details regarding contracting by an investee of the Company of an agreement to finance construction of the Julis (Ultra-high voltage) Project, in the amount of up to NIS 223 million (the financing amount may increase after the project goes into commercial operation), see Note 14 in Part C - Financial Statements.
- (6) For details regarding contracting by an investee of the Company of an agreement to finance construction of projects with integrated storage awarded in competitive proceeding 2, in the amount of up to NIS 480 million (the financing amount may increase after the project goes into commercial operation), see Note 14 in Part C - Financial Statements.

- (7) For details regarding contracting by an investee of the Company of an agreement to finance construction of solar projects in the USA (416MWp), in the amount of up to USD 510 million, see Note 14 in Part C - Financial Statements.
- (8) For details regarding contracting by an investee of the Company of an agreement to finance construction of solar projects in the USA (224MWp), in the amount of up to USD 70 million, see Note 14 in Part C - Financial Statements.
- (9) For additional information regarding the Company's un-utilized credit facilities, see Note 14 in Part C of the Report - Financial Statements.
- (10) For details regarding the Company's raising of capital, bonds and convertible bonds, see Note 14d(5) in Part C of the Report - Financial Statements.
- (11) For more information about negotiations by a Company investee to establish long-term strategic collaboration for sale of electricity and green certificates and for providing the Tax Partner investment in projects included in this contract, see section 2 in Part B of the Report – Board of Directors' Report.

## **20. Taxation**

### **20.1. Taxation of companies**

For additional information, see Note 28 in Part C of the Report - Financial Statements.

### **20.2. Taxation of land**

In general, the Company's activity does not involve the acquisition and sale of real estate properties, but rather, engagements for the rental of real estate for periods which do not exceed 24 years and 11 months in Israel, up to 30 years in Poland, and up to 35 years in the USA, for the purpose of operating electricity generation facilities. The Company may be exposed to claims from the tax authorities and/or local committees, regarding the payment of fees, levies, and various taxes. Additionally, land taxation applies in Poland which is based on the cost of the fixed parts of the projects, mostly turbine bases and columns. For more information regarding changes in the method used to calculate tax, see Note 28 in Part C of the Report - Financial Statements.

## **21. Environmental considerations**

### **21.1. Photo-voltaic Segment:**

The Company is subject to environmental laws on the local and national level, depending on the territory in which it operates, which are generally managed by the Ministry of Environmental Protection in the relevant country. As pre-condition for receipt of the required permits for the construction of electricity generation projects, the Company is typically required to perform environmental surveys and various tests, including archaeological, biological, historical and environmental surveys, as well as an evaluation of the effects of each project on the surrounding environment, as well as compliance with the environmental provisions which apply to each project site.

On all matters associated with the Company's agreements regarding ties to land on which projects are built, the Company undertakes to restore the land to its condition prior to the construction, as much as possible, and thereby to allow the original use of the land. In the USA, the Company is required to post guarantees to ensure compliance with this obligation.

Additionally, environmental considerations which pertain to the Company's activity in the Photovoltaic Segment may apply on all matters associated with the wear and tear of the components in the photo-voltaic systems, as well as recycling these at the end of their useful life.

In Israel, the Environmental Treatment of Electrical and Electronic Equipment and Batteries Law - 2012 prescribes various obligations which apply to the owners of electronic equipment and of batteries, including regarding the removal and handling of electronic waste and batteries.

As of the Report Approval Date, the law has no significant impact on the Company's activity, as currently phrased, and it is not aware of any proceedings which were initiated against it pursuant to that law; however, it may have an impact in the future, insofar as the systems, including their constituent parts, constitute "electronic waste". The statutory promotion of the construction of facilities also includes taking into account environmental considerations, and the facilities' impact on the environment, including in terms of land use and landscape effects, and the entrepreneur is required to submit an environmental landscape survey as a condition for the receipt of a permit.

Without derogating from the foregoing, as part of the Company's series of panel purchase agreements with First Solar, First Solar will provide the Company with panel recycling services, within the framework of its panel recycling infrastructure. The Company has also engaged with several Israeli recycling companies, including "ecology for protected communities", which operates a recycling plant whose employees are mostly special needs persons. As part of this engagement, the Company collects all of the defective panels at the end of a project's construction, and transfers them to a recycling plant. At the end of this process, the Company receives a recycling approval certificate in accordance with the guidelines of the Ministry of Environmental Protection.

The Company's project in Neot Hovav may involve additional considerations, due to the fact that the system in Neot Hovav was built in areas of restored pools on land which was previously polluted, and which underwent a recovery process, the completion of which was approved and is monitored by the Ministry of Environmental Protection. On this matter, it should be Noted that, within the framework of the agreements between the Company and Neot Hovav Council, the Council approved that the Company will not bear any liability whatsoever in connection with the area of the system, which is leased from the Council, except in case of a breach, by the Company, of its undertakings in respect of the land.

In the USA, the Company conducts multiple environmental surveys for each project to be constructed, depending on laws and regulations applicable to each project (federal, state or local). These surveys consider, *inter alia*, development restrictions applicable to the land, maintaining distance from the development to environmentally-sensitive areas, such as river beds or sites with a cultural / historical legacy, prohibition of tree felling during certain months and so forth. Moreover, field testing is conducted to identify any protected fauna in the project vicinity, and construction work is adapted for the outcome of such testing.

### **21.2. Wind Energy Segment**

On all matters pertaining to the Wind Energy Segment, due to the very nature and size of wind energy electricity generation facilities, environmental considerations affect this area of engagement. As a result, the Ministry of Environmental Protection and/or environmental organizations in Israel and in Poland are actively and closely involved in the development and planning process of wind farms, and in monitoring their construction and operation. In each project which is promoted by the Company, an in-depth evaluation process is performed in order to evaluate the effect of the project on environmental considerations, the environment, and sustainability considerations. The selection of the land is done in advance on polygons which were evaluated and approved, in advance, as areas which minimize and balance, in the best possible way, the wind quality in the project, and minimum harm to the environment.

The Company evaluates and invests a great deal of resources in monitoring and in the performance of bird and bat surveys, noise measurement, evaluation of the project's landscape impacts, and optimal planning of the distribution of turbines, minimization of the flicker effect, and compliance with the recommendations of the Ministry of Health. The Company is also required to perform various monitoring activities in respect of its wind turbines, in accordance with the changing requirements in each country, which are intended to protect birds, etc.

In accordance with the Company's agreements regarding land ties in respect of the projects, the Company undertakes to restore the land to its condition prior to the construction, as much as possible, and thereby to allow the original use of the land.

It is noted that there are parties who object to the construction of wind farms, inter alia, on environmental grounds, including environmental organizations, which could in the future constitute a barrier for the Wind Energy Segment. For details, see Note 10b(5) in Part C of the Report - Financial Statements.

### **21.3. Environmental risks and methods for the management thereof**

As of the Report Date, and as of the Report Approval Date, and subject to the provisions specified below, the Company is not aware of any environmental risks which have, or could have, a significant impact on the Company, or on the provisions of the law in respect of environmental risks, which have significant implications on the Company's and its activities. During the period of commercial operation, the Company is required to monitor and track the environmental impact in the area of its projects, and to apply corrective action in case of any negative impact on the environment. Additionally, in various countries the Company is required to submit annual reports analyzing the environmental impact. The Company complies with all applicable laws to reduce environmental risks, and to the best of its knowledge, it complied with all environmental regulations required in order to receive the permits for the operation of the Company's facilities.

The Company's policy regarding the management of environmental risks constitutes a part of its general risk management policy, and focuses on activities to minimize, as much as possible, any possible negative effects of its activities. Risk management is primarily performed by the Company's CEO, through routine monitoring of the regulatory developments which pertain to the Company's activity, including in respect of environmental risks. As part of the overall risk management of the Group, the Company's Board of Directors has determined that the CEO of the Company will regularly report to the Chairman of the Board of Directors on the existing level of exposure.

As of the Report Date, the Company is not party to any legal proceedings (including any material legal or administrative proceedings) associated with the environment, to which the Company or any of its corporate officers are party. Additionally, the Company was not party to any such proceedings during the year preceding the date of this report. As of the Reporting Date, no amounts were ruled, and no provisions were recognized, in the Financial Statements, and no other material environmental costs applied to the Company.

## **22. Restrictions and supervision of the Corporation**

### **The Companies Law**

The Company, as a corporation, is subject to the provisions of the Companies Law - 1999, and to the regulations which have been enacted by virtue thereof. Additionally, due to the Company's status as a public company, it is also subject to the Securities Law - 1968, and to the regulations which have been enacted by virtue thereof.

### **The Concentration Law**

On December 11, 2013, the Law to Promote Competition and Reduce Concentration - 2013 was published in the Official Gazette (hereinafter, in this section: the "**Concentration Law**" or the "**Law**"), by virtue of which, in December 2014, the Committee for the Reduction of Concentration published for the first time a list of concentration entities, a list of significant real corporations, and a list of significant financial entities. In the committee's last publication on August 10, 2022, the names of the Company and of its owned subsidiaries appear both on the list of concentration entities, and on the list of significant real corporations, due to the fact that Alony Hetz, the Company's controlling shareholder, is a concentration entity.

In accordance with the law, in an allocation of rights, including a license for the operating segment which is defined as a critical infrastructure segment, the entity granting the right must take into consideration branch-specific competition considerations, in consultation with the Antitrust Commissioner. Additionally, in an allocation of such rights to a concentration entity, the entity granting the right must take into account industry-wide concentration considerations, in consultation with the committee for the reduction of concentration, in the manner prescribed in the law.

The foregoing may affect the Company, which is defined as a concentration entity in a critical infrastructure segment, due to the fact that it is a part of Alony Hetz Group, which constitutes a concentration entity group, in case the Company applies for a production license which pertains to the construction and operation of an electricity generation power plant, at a capacity exceeding 175MW, which is connected to the power grid. It is Noted that this capacity is considered large, and the Company does not currently have an active project of this scale in Israel, nor is it developing any such project in Israel as of the Report Approval Date.

For more information regarding additional restrictions and supervision of the Corporation, see the section regarding restrictions and supervision of the Corporation, in Section 7.8 above, and environmental risks and methods for the management thereof, in Section 22.3 above.

### **23. Material agreements**

The Company has no material agreements which are not in the ordinary course of business, to which the Company is party. However, presented below are the significant agreements which constitute a part of the Company's activity during the Reported Period:

- (1) Collaboration agreements as specified below in Section 25.
- (2) For information regarding material external financing transactions in respect of the Company's projects, see, inter alia, Note 14c in Part C of the Report - Financial Statements.
- (3) For information regarding transactions involving engagement with a tax partner in respect of the Company's projects in the United States, see Note 10c in Part C of the Report - Financial Statements.
- (4) For details regarding the Company's management agreement with Alony Hetz, its controlling shareholder, see Note 25a in Part C of the Report - Financial Statements.
- (5) For details regarding the Company's engagement in a framework agreement to purchase of panels for the Company's activity during the years 2023-2026, see section 2 in Part B of the Report - Board of Directors' Report, and Note 15 in Part C of the Report - Financial Statements.
- (6) For details regarding the Company's engagement with a local broker in power purchase agreements and agreements to sell green certificates in Poland, see section 10.2 above, section 3.2 in Part B of the Report - Board of Directors' Report, and Note 10 in Part C of the Report - Financial Statements.

### **24. Collaboration agreements**

- (1) **Agreement of the Joint Venture (Israel) regarding activities in the Photovoltaic Segment in Israel** - For details regarding the Joint Venture Agreement, including a legal dispute between the parties, see Notes [15a\(2\)](#) and [10b\(1\)](#) in Part C of the Report - Financial Statements.
- (2) **Joint venture agreement for operations in the Photo-voltaic Segment in the USA** – Prior to April 2023, the Company also operated in the USA as part of a joint venture with a local developer for construction, financing and operation of projects in the Photo-voltaic Segment in the USA. In April 2024, the Company bought out the local developer's share in full. For more information see section 7.1(c) above and Notes [15a\(3\)](#) and [10b\(2\)](#) in Part C of the Report – Financial Statements.
- (3) For more information about negotiations to establish long-term strategic collaboration for future projects with capacity of 1GW or more in the USA, see section 2 of Part B of this report – Board of Directors' Report.

### **25. Company operations involving information and cyber security**

The Company routinely uses information technology, telecommunication, and data processing systems. The Company has OT systems in manufacturing, as well as enterprise IT systems. Any impact to the Company's OT systems may expose the Company to delays and disruptions in the provision of the electricity generated by Company facilities, and/or may damage the Company's reputation. Any impact to the Company's IT systems may cause damage to information available to the Company and/or may damage the Company's reputation. The Company uses various protective measures to protect its information and electricity production systems against cyber attacks, a Chief Information Security Officer

(CISO) and other professional consultants and external suppliers, to protect its various systems from cyber attacks, and to maintain its rapid recovery capability in case of an attack, including the implementation of protective tools which are required in accordance with the latest technological developments, and guidelines of the Ministry of Energy and the Israel Securities Authority, which are periodically renewed. The Company's cybersecurity risk management policy is managed by the CIO, subordinate to the Company's CFO. As part of the Company's activity in the information security segment, inter alia, a cybersecurity risks survey is periodically conducted, on the basis of which a plan to reduce exposures is built, methodologies for the management of cybersecurity risks, and for evaluation of their probability, a yearly work plan for addressing cybersecurity risks is formulated, and routine activities are conducted to raise awareness among employees. The Company has policies regarding the management of cybersecurity risks, including an event response policy, which includes a first responder team.

In the Reported Period, the Company continued to reinforce the resilience of its information security systems. Note, however, that there can be no certainty regarding the Company's ability to completely prevent cyber attacks.

Despite the many activities which are performed by the Company to prevent cyber attacks, the occurrence of such an event could have a significant impact on the Company's activity. The Company may also be required to bear costs associated with the protection of the information systems, and with repairing the damage which may be caused by such attacks, insofar as any occur, including, for example, creating internal defense systems, implementing additional means of protection against cybersecurity threats, defending against litigation due to a cyber attack, and payment of damages or development of other corrective measures towards third parties.

## **26. Legal proceedings**

As of the Report Date, the Company is not involved in any material legal proceedings.

- For details regarding legal proceedings against the Company as part of a dispute of the Company with an entrepreneurial company in Israel with which it formed the Israel Joint Venture, see Note 15a(1)(b) in Part C - Financial Statements.
- For details regarding the legal proceedings which are being conducted against Clean Wind Energy Ltd., which is promoting the project involving the construction of a wind farm in the Golan Heights with a capacity of 104MW, see Note 10b(5) in Part C - Financial Statements.

## **27. Goals and business strategy**

The Company set for itself the goal of being a global producer of green energy, while playing an active and leading role in the green energy revolution. Company operations are focused on electricity generation from PV and wind energy, in Israel and overseas, in conformity with the long-term strategic plan adopted by the Company in 2020 and revised in March 2022. This plan is based on significant growth in Company operations with extensive international operations, emphasizing expansion of operations in the USA as the Company's primary growth engine in the coming years, while maintaining and further expanding its two engines in operations in Israel and in Poland, while maintaining appropriate returns and informed risk taking.

**In the USA**, the Company is continuing to work on significant expansion of its operations in the Photovoltaic Segment in the Virginia and Pennsylvania region, and intends to expand its operations into other states which are attractive for the Company (using a proactive approach in predefined target states, or while leveraging opportunities for the development / purchase of an attractive series of projects, insofar as opportunities of this kind reach materialization, in other states). As for the Company's storage operations, because the Company believes, as of the Report Approval Date, that there is still no economic viability for storage operations in the PJM grid, but believing that storage operations would mature and become economically viable, the Company is striving to create the infrastructure required for rapid entry into such operations – by expanding the project backlog under development and by creating business relationships to leverage its operations in this area (such as considering a potential strategic contract with an equipment supplier for storage operations).

Furthermore, the Company believes that its operations in long-term strategic collaboration with market leaders in financing, equipment suppliers and potential customers, provide the Company with a significant competitive advantage for its operations in the USA, while reflecting strong support for the Company's execution capacity. These should help the Company achieve its long-term targets and maintain rapid growth thereafter.

**In Poland**, the Company's activity is based on the continued development and expansion of its series of projects, through independent initiation activity and purchasing of projects, with an emphasis on the Wind Energy, Photo-voltaic and Storage Segments. The Company also views the Storage Segment as another significant growth engine, both as projects integrated into renewable energy production projects, and as standalone storage projects.

**In Israel**, the Company intends to further expand its project backlog, while developing the Storage Segment as an integral part of its operations, and acting to sell electricity by commercial PPAs to providers under the market model, which would allow the Company to maximize revenues from sale of electricity compared to existing regulations. The Company also intends to review, during this year, its operating strategy in Israel and to focus its growth engines for the coming years.

As part of its implementation of the strategic plan, the Company distributes its strategic goals into annual targets, including long term goals, which are determined in the annual work plans. The work plans are reviewed periodically *inter alia*, in light of effects in the operating segment and macro events in the target countries where the Company is active - including the increase in electricity prices, equity it has invested, the enactment of the IRA in the United States, the reform in connection to the PJM grid, and the increase in grid connection.

The Company revises its long-term work plan targets (2026), whereby the Company believes that by end of 2026, it would have a (storage) project backlog of 4.3GW + 1GWh, with expected revenues of NIS 2.3 billion (compared to over NIS 2 billion as published in the previous year), with EBITDA expected to be at 80%.

The total construction cost for these projects, based on market conditions and regulations as of the Report Approval Date, was revised upward to NIS 23.5 billion, of which NIS 3.2 billion in equity, already fully invested by the Company in its existing facilities. The remaining amount required for project construction should be obtained from financing transactions and the Tax Partner, as customary.

The plan targets were revised due to additional storage capacity, revision of price forecast in target markets, exchange rates and expected tax credit rates for projects in the USA.<sup>52</sup>

For additional details, see Section 2.2 in Part B of the Report - Board of Directors' Report.

**The information presented above constitutes Forward-Looking Information, as defined in Section 1.5 above.**

### **28. Anticipated developments in the coming year**

In 2024 the Company is expected to continue its significant activity and growth pattern, in initiation and in massive construction activity, in parallel with maximizing the value from the Company's series of commercially active projects, in all of its operating territories. This is while continuing to establish the organizational infrastructure required to support continued rapid growth of Company operations, to significantly expand its project financing across all territories, in response to the Company's current and anticipated business volume.

In 2024, the Company intends to operate projects with capacity of 1,279MW currently in commercial operation, to construct or start construction of projects with capacity in excess of 460MW across its three territories, to reach commercial operation in 2024 and 2025. The Company also intends to continue working intensively on growing its series of owned projects in initiation and advanced initiation stages in Israel, Poland and the USA, in order to ensure continued growth and the achievement of the Company's targets for the coming years. This is with emphasis on Poland, given the potential for significant incentives in the renewable energy market in Poland, and even more so in the USA, given the significant business opportunities for Company operations in the US market.

However, along with growth in renewable energies, the Company anticipates some challenges in 2024. These include a severe shortage of infrastructure for receiving electricity across all 3 territories, which may cause delay to schedule for connection and promotion of facilities, the war in Israel and its impact on the Israeli economy, as well as growing competition in the Company's operating segment in its various territories.

In facing these local and global challenges typical for Company operations, the Company benefits from a stable capital / debt structure and available cash to allow for financing flexibility and provide an edge in the face of high interest rates. Accordingly, the Company's stable capital structure (revenues and financing transactions in 2023, which should expand significantly in 2024) provide the Company with a response for the significant investments anticipated by the Company in the coming years. Note also that the Company does not rule out additional financing by raising capital / debt from the public, in conformity with market conditions, taking advantage of opportunities and the Company's needs.

The Company has announced that it believes it would end 2024 with projects in commercial operation / final construction with capacity of 1,740MW, an increase by 36% compared to December 31, 2023, and with expected revenues of NIS 920-1,020 million in 2024.

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<sup>52</sup> For more information about the Company's assessment regarding ITC tax credit rates to which the Company would be entitled for projects to be constructed in 2024 and thereafter in the USA, see section 6.6.

Concurrently, in light of the importance of sustainability issues and ESG values, and the Company's commitment to them, and in connection with the corporate responsibility report which the Company published in 2022 and 2021, it intends to continue emphasizing these considerations as an integral part of its operations, and to work on issuing a revised ESG report and to adopt and implement work plans which will allow the Company to meet the targets which the Company adopted as part of its ESG activity. For more information, see Section 3.6 in Part B of the Report - Board of Directors' Report.

For more information about Company systems in commercial operation, partially completed and/or partially connected, systems under construction, in pre-construction and in initiation stages, as of the Reporting Date, see Section 4.1 in Part B of the Report - Board of Directors' Report, and Note 10 in Part C of the Report - Financial Statements. For additional information regarding operating results and forecasts as of the Approval Date of the Report, see Sections 2.1 and 2.2 in Part B of the Report - Board of Directors' Report.

**The information presented above constitutes Forward-Looking Information, as defined in Section 1.5 above.**

### **29. Extraordinary changes in the Company's business**

The Company is not aware of any extraordinary changes in its business affairs, including in the ordinary course of business, during the period from the Report Date until the Report Approval Date. For information regarding events subsequent to the Report Date, see Note 32 in Part C of the Report - Financial Statements.

### **30. Events or matters which are not in the Company's ordinary course of business**

To the best of the Company's knowledge, there is no event or matter which was not addressed in Sections 7 to 30 of the report, and which deviates from the Company's ordinary course of business, due to its nature, scope, or possible result, and which have, or may have, a significant impact on the Company.

### **31. Risk factors**

The Company is exposed to several risk factors which are due to economic and business environment, the characteristics of its activity, and other variables which it faces in the different territories. The Company's activity under the One Stop Shop model throughout the entire lifetime of the projects involves development and development risks, in light of the Company's extensive series of initiated projects, which include many uncertain variables. Subsequently, during the construction stages and until the commercial operation stage, the Company faces cybersecurity, finance, planning, regulatory, and other risks. Presented below is a description of the possible impact of the risk factors which are relevant to the Company's activity, in accordance with the estimates of Company management.

#### **31.1 Macro/macro-economic risk factors:**

##### **a. Exchange rate**

In light of the Company's activities in Poland and in the USA, and due to the fact that its revenues and expenses in these environments are in PLN and USD, respectively, the Company is significantly exposed to changes in the exchange rates of these currencies vs. the NIS, which

is the Company's functional currency. Additionally, during the development and construction period of the Company's facilities in Israel, the Company is exposed to changes in the exchange rates, especially the USD and the EUR, due to the fact that most of the equipment is purchased from its suppliers in those currencies.

**b. Economic downturn**

The state of the global economy and the state of markets in Israel, the USA and Europe may adversely affect the ability to raise capital for the Company's activity, including the ability to raise capital in case of a decline in the Company's share price. Additionally, a decrease in the Company's share price could result in limits on marketability, and the removal of the Company from the leading indices in which it is traded, which could lead to a reduction in the marketability of the Company's securities, and consequently, to adverse effects on raisings of equity/debt in marketable securities on the stock exchange.

**c. Increases in input costs**

Increases in input costs, and increases in the prices of the raw materials which are used in the production of the Company's systems, may affect the prices of photo-voltaic panels, trackers, storage components and wind turbines, and as a result, may also affect the price at which the Company acquires its systems from manufacturers and suppliers. Any such change may affect the facility's construction cost or long term maintenance cost, and may affect the economic profitability of the acquisition and construction of the systems, or their components.

**d. Exposure to changes in interest rates**

The increase of interest rates in Israel and around the world, could inherently lead to an increase in the Company's financing expenses, and reduce the returns and economic profitability of projects which are owned by the Company, or the profitability of the purchase or construction of new projects. In Poland, in view of the lower inflation increase in 2023, interest rate hikes also appear to have been concluded, and after twice lowering the Central Bank interest rate, is it at 5.75% per annum as of the Report Approval Date. In the USA, in view of the higher inflation in the first half of 2023, SOFR interest rates have been significantly higher. In the second half of 2023, the pace of inflation increase slowed down, and the Central Bank therefore stopped raising interest rates. As of the Report Approval Date, the SOFR interest rate was at 5.3%-5.4%, depending on the term. The rising interest rates may affect the Company's decisions regarding the construction of new projects and the receipt of financing in respect thereof. Notwithstanding the above, in accordance with the Company's strategy, the Company usually engages in a series of agreements and commitments which result in the hedging of future exposure to interest rate increases (e.g., hedging transactions in respect of the base interest rate). This method creates a situation whereby the increase in interest rates is not expected to have a significantly adverse effect on the Company's results.

**e. Exposure to changes in the index**

The Company has an accumulated income from electricity in Israel, in accordance with a tariff which is updated once per year, according to the Consumer Price Index. Additionally, in accordance with the tender regulation regarding the Photo-voltaic Segment in Israel, the tariff will be linked to different indices (as chosen by the winner, the Company chooses linkage to the CPI). Furthermore, in some of the regulations in Poland as well, the tariffs are CPI-linked. Therefore, the Company's revenues are exposed to fluctuations in the Consumer Price Index, and accordingly, the Company's future cash flows are also exposed to changes in the

Consumer Price Index. On the other hand, all of the Group's external financing, except for project finance in respect of the projects in Israel, is not CPI-linked.

**f. Exposure to changes in taxation policy**

The Company's activity involving the construction of electricity generation facilities involves various taxes, including municipal taxes or taxes which are specific to the renewable energy sector. Changes in the tax policy in the countries where the Company is engaged could adversely affect the Company's operating results and distributable cash flows from projects.

**g. Cybersecurity risks in the field of organizational information systems (IT)**

Cyber attacks on the Company's internal information systems could lead to disruptions or shutdowns in some of the systems. The Company works to prevent and minimize its exposure as much as possible, by adopting and implementing advanced information security and backup systems and equipment, and by hiring the assistance of external professionals specialized in IT cybersecurity risks.

For additional details regarding the Company's activity in the field of information security and cybersecurity, see Section 26 below.

**h. Global changes to the supply chain, shipping costs**

Significant global changes pertaining to shipping and transportability of equipment which is used by the Company in the construction of projects - such as supply chain delays, increased shipping costs, trade wars and pandemics, could lead to rising costs of raw materials and shipping delays, which could result in delays in the construction of the Company's projects, and a decline in their profits.

**i. Security situation in Israel**

Deterioration in the security situation in Israel may negatively impact the capacity to develop new projects in locales exposed to security risk. Moreover, a security event in Israel may impact Company-owned systems in Israel, and a security deterioration may result in labor shortage and in diversion of budgets from energy to other areas, thereby affecting the market size.

**j. Competition**

Evolution of the renewable energies field and new initiatives in this area may increase competition in the market, and may impact the Company's ability to win projects and to obtain generation quotas. Moreover, competition may impact the cost of project development, construction and operation.

**k. Insurance**

The Company has various insurance policies with coverage for diverse damage as customary in this field. However, not all potential risks or exposures are covered or coverable by the various insurance policies, and there are coverage limits for certain risks, obligations for deductibles or exclusions, which may result in insurance payout not necessarily covering in full all of the potential damage. Decisions with regard to insurance type and scope are made with due consideration of the insurance cost, type and scope, regulatory and contractual requirements and the ability to obtain appropriate coverage in the insurance market. The Company may be unable to renew insurance policies, or to contract insurance policies to cover for a certain risk (or may contract new insurance policies at terms inferior to existing ones).

**31.2 Branch-specific risk factors:****i. Competition over grid resources**

The Company's activity in the various territories is subject to competition over obtaining a commitment regarding the grid connection date and space on the grid from the competent entity (distribution and transmission companies, system managers, etc.). Infrastructure limitations and the absence of space to receive the electricity could lead to postponement of the grid connection date of the projects which the Company is building, and could adversely affect its ability to realize its work plans and goals within the framework of the Company's strategic plan. Additionally, limits on grid connection and partial acceptance of electricity could adversely affect the economic profitability and expected revenue from the Company's facilities, and accordingly, could adversely affect the Company's business results.

**m. Absence of available land**

For the purpose of building facilities for the production of electricity from renewable energy, and particularly building wind farms, the Company requires available land with significant areas. This risk is particularly prominent in Israel, where limited areas have been defined in which facilities for the production of electricity from wind energy may be advanced, and in Poland, where new wind farm construction projects can only be built at a minimum distance of 700 meters from residential areas near the turbine. These limitations, and the inability to identify available land which is suitable for the construction of additional facilities of the Company, could adversely affect the Company's ability to expand its activity.

**n. Cybersecurity risks in the field of operational technology (OT)**

Cyber attacks on the networks of the Company's in commercial operation production facilities (wind turbines and photo-voltaic facilities) could adversely affect their production capacity. The Company works to prevent and minimize its exposure as much as possible, by adopting and implementing advanced information security and backup systems and equipment, and by hiring the assistance of external professionals specialized in OT cybersecurity risks. In parallel, the Company works in an orderly and fully transparent manner vis-à-vis the cybersecurity unit at the Ministry of Energy.

**o. Non-receipt of licenses, quotas, and winning of tariff tenders**

Insofar as the Company's activity depends on the publication of competitive proceedings for quotas for the construction of facilities, or tenders for the construction of facilities, by the various authorities, a failure to fulfill the terms of the regulation, or a failure to win tenders, may adversely affect the Company's fulfillment of its forecasts and strategic plans. As of the Report Approval Date, the scope of activities which are subject to local regulations is gradually decreasing relative to the economic profitability which exists, including in case of the construction of projects with full market exposure.

**p. Dependence on approval of plans and receipt of permits and approvals**

The process of building the Company's facilities usually requires the preparation of detailed plans, including changing the designation of the land, and to obtain all of the relevant permits and approvals from the various authorities in Israel, Poland and the USA, such as, inter alia, local authorities and planning and building committees, various government offices (in Israel also the Ministry of Defense, in certain cases), the Israel Land Authority, environmental authorities, and the holders of the land rights. There is no certainty that these plans will indeed be approved, or that all of the permits and approvals will indeed be given, or that they will be

given in accordance with the planned timetable for each project. Additionally, the foregoing permits may be contingent on the fulfillment of various conditions, which could lead to delays and postponement of the timetables for the construction of projects, the forfeiture of construction guarantees, and increased process costs, and in extreme scenarios, could even lead to the cancellation of the tariff regulations which the Company has won, to the extent that the project could become unprofitable for the Company. Additionally, there could be objectors to planning and development plans from various fields, particularly environmental organizations which object to the construction of wind turbines.

q. **Weather conditions, seasonality and changes in climate**

The Company's ability to generate electricity, and the Company's revenues from the sale of such electricity, are significantly affected by weather conditions in wind farms, by wind power and actual wind quantities, and in the photo-voltaic systems by sunlight intensity (sunlight levels and sunlight hours), temperature conditions, and other climate parameters. Given the Company's sensitivity to seasonality and weather, climate change and weather conditions have direct impact on electricity generation by Company facilities. Furthermore, extreme weather conditions could also lead to delays in project construction, disruption of electricity generation systems, may impact the Company's capacity to generate electricity (in either direction) and may even affect the Company's capacity to estimate its actual electricity generation. Weather conditions could also have an effect on electricity prices, and accordingly, on the Company's revenues in markets where the Company is exposed to the market for electricity prices. For more information, see Section 14 above.

r. **Functionality of facilities, safety, natural hazards, war and terrorism**

The Company's income depends on the functionality of its facilities and the production of electricity from the facilities. The Company is therefore exposed to problems involving the functionality of its facilities, including malfunctions in the actions of the substations in respect of the transmission of electricity to the grid. The Company may also be exposed to acts of war and terrorism, strikes, vandalism, theft, the presence of unexploded ordnances in areas where facilities are planned for installation, and natural hazards in the area of the facilities. All of the above may create delays in the planned timetables of the projects and/or additional costs for the removal or treatment of those hazards. The Company, as the owner and executing contractor of the projects, may be exposed to safety risks due to the construction and operation of the facilities, which include dangerous, complex and process-dependent work, including heavy machinery and electrical equipment, which include exposure to physical injury and damage to property, inter alia, due to human errors, non-compliance with safety directives, and engineering failures.

s. **Lack of financing sources or difficulty in obtaining financing**

A recession in economic activity around the world and/or geopolitical changes could reduce financing sources which are available to the Company (both project financing and financing on the level of the corporation) and/or lead to an increase in the aforementioned financing costs, which would harm the profitability of the projects and the Company's profitability, and could pose risk to the Company's ability to build projects. Additionally, the Company may be subject to credit restrictions of financing entities, by virtue of legislation and regulatory directives on the matter, whether by virtue of the provisions of directives issued by the Commissioner of Banks regarding a branch-specific restriction or a restriction on an individual borrower or group of borrowers.

t. **Breaches by the system manager or critical service provider**

The transmission of electricity which is produced at the Company's facilities to the power grid, and the sale thereof, depends, inter alia, on the availability of the power grid to accept the aforementioned electricity, which is not under the Company's control. Breaches by the manager of the power grid or critical service provider which is responsible for the operation of the grid and intaking the electricity which is produced in the Company's systems may create exposure for the Company in respect of electricity which has not been accepted into the grid, for which consideration will be received.

u. **Exposure to land issues**

(1) **General exposures involving land issues:**

- Land ties - The construction of facilities for the production of electricity requires ties to the land on which the facilities are built, and receiving various permits and authorizations for the purpose of transferring infrastructure and installing the required equipment, all of which lead to auxiliary costs which could have a significant impact on the feasibility and profitability of the Company's projects. The Company therefore works on reducing the impact of such exposures on the projects which it develops, or on hedging them in advance.
- Lease agreement - Harm to the Company's ties to the land as a result of breaches of the real estate agreements which created the Company's ties to the land could result in delays in the construction of projects, or could harm or restrict the Company's ability to build or operate its facilities on a full or partial basis.

(2) **Exposure to land issues in Poland**

The rental agreements for the construction of the project include an undertaking on the part of the lessor not to charge the leased land, or to perform any action which could harm or restrict the use of the land in favor of the project. However, in accordance with Polish law, insofar as enforcement or bankruptcy proceedings will be initiated against any of the owners of the lands which are leased in favor of the project, involving the creation of new owners of the land who take the place of the previous owners, the new owners will be entitled not to be bound by the rental agreements in place of the original lessor, subject to the provision of one month's advance notice to the lessee after the date of their acquisition of the land, when the cancellation came into effect one year after the cancellation notice. The Company estimates that the aforementioned proceedings, insofar as they are implemented, do not significantly impact the Company, and as of the Report Approval Date, the Company is not aware of any proceedings which were initiated in respect of the land which is leased for the Company's projects in Poland.

v. **Environmental considerations**

The Company's activity may involve various environmental risks.  
For more information, see Section 22.3 above.

w. **Exposures due to tariff changes in the prices of electricity and green certificates in the target countries**

**(1) Israel**

- During the Reported Period, electricity from the Company's facilities in Israel was sold through feed-in tariff regulations or tariff regulations by virtue of which the electricity is sold to the Israel Electric Corporation or the system manager at a guaranteed, CPI-linked price, whereby in respect of the construction period, the Electricity Authority works to link the electricity purchase tariffs in respect of projects which have not yet been connected, to calculation formulas which are based on different variables, including the Bloomberg index for estimating the construction cost of renewable energy facilities around the world, changes in the USD and EUR exchange rates, and the consumer price index. Any future change in the tariff amount would affect the Company's cash flows from wind facilities which will be built, and accordingly, would affect the Company's revenue.
- In the Reported Period, the Company signed and should sign in future agreements to sell electricity to a provider pursuant to a long term commercial power purchase agreement, at a pre-determined price, instead of selling it to the Israel Electric Corporation or the system manager for a guaranteed tariff by virtue of the tariff regulation. Should the provider with which the Company has contracted be in breach of their obligations pursuant to the PPA, or should the Company fail to meet its obligations to provide minimum electricity output, as committed in the agreement (if applicable), and should the PPA be terminated, the Company may be exposed to electricity prices as they may be as of the date of such breach.

**(2) Poland**

- In accordance with the provisions of the Company's power purchase agreements in Poland as of the Report Date, the Company has exposure to changes in electricity prices on the Polish Power Exchange, which are affected by the electricity of electricity in Poland, both in respect of the sale of the Company's physical electricity, and in respect of engagement in financial transactions to fix the price of electricity, which is determined based on quotes from the power exchange during the relevant period for which the transaction was executed. Accordingly, a decrease in these prices could reduce the revenue cash flows from the Company's projects in Poland, or its potential future revenues and fulfillment of its business and cash flow forecasts on which the Company has relied.
- The prices of green certificates in Poland are determined based on trading on a designated stock exchange, and are affected by the supply and demand for certificates, which are affected by the renewable energy regulations in Poland. The Company is exposed to risk of a decrease in the prices of green certificates, or to a decline in the demand for them, and therefore, the cash flow income from the Company's projects project will be reduced.
- Differences in capacity to generate electricity from renewable energy sources during different hours of the day result in a difference between the average price of electricity generated from renewable energy sources, and the average price of electricity generated from all sources. This difference is the fixed profile cost, used to determine the price of electricity generated from green energy. The more electricity generated from renewable energy sources in a certain hour, the lower the average hourly price of electricity

generated from renewable energy sources, resulting in cannibalization in the renewable energy market. Implications of the profile cost should be reduced, as use of storage technology grows, as well as other technologies allowing for higher supply/demand flexibility for electricity at any given time.

### (3) USA

- Electricity prices in the USA for Company projects other than high-voltage projects, are specified in an agreement for the sale of electricity vis-à-vis the local electric corporation or another electricity consumer. The price of electricity in agreements of this kind is determined in accordance with market conditions, which are affected by macro-economic factors, and supply and demand in the market at that time. Therefore, the Company is exposed to the risk of declining electricity prices in the market, before signing electricity sale agreements, or after the expiration thereof, which affects the hedging price, and accordingly, the risk applicable to unhedged electricity sales. Additionally, in agreements with private electricity consumers, the price of electricity is based on the electricity prices on the local power exchange, including a certain hedge for deviations in price, and accordingly, a decrease in those prices would reduce the income flows from the Company's projects. The Company may also have exposure through hedging transactions under which it is obligated to settle, in cash, price gaps in respect of the minimum produced capacity, insofar as for any reason the said electricity is not produced in its facilities, and the Company will be required to supplement the capacity which it has undertaken to provide from external sources, at higher prices than the hedged price of electricity.
- The Company may be exposed to electricity price differences, between the electricity price it is entitled to pursuant to the PPA, and the electricity price at which electricity is actually sold, due to differences in electricity prices between different connection points, due to how PJM administers the power grid (with respect to both timing and location differences). The Company may also be exposed to differences between the electricity price it would be entitled to for achieving the generation forecast as committed to the grid administrator, and the electricity actually supplied to the grid. For more information about power grid administration by PJM, see section 7.1c(d)(6). The Company is in contact with various players in the US market, to fully or partially hedge the two aforementioned exposure types.
- The prices of renewable energy certificates in the USA are determined in agreements for the sale of certificates which are based on similar market transactions, and are affected by macro-economic factors such as supply and demand in the market at that time. Therefore, the Company is exposed to the risk of declining prices of green certificates in the market, before signing certificate sale agreements, or after the expiration thereof, which would reduce its revenues.

### (4) Transactions involving hedging / fixing of electricity prices in the USA and in Poland

The Company may have exposure within the framework of hedging transactions, under which it is obligated to settle, in cash, price differences in respect of the minimum produced capacity, insofar as for any reason the said electricity is not produced in its facilities, and the Company will be required to supplement the capacity which it has undertaken to provide from external sources, at higher prices than the hedged electricity price.

x. **Compliance with the required conditions to receive tax credits in the USA**

Managing the costs of installing facilities in the USA is based on the establishment of tax incentives, which allow receipt of a benefit which reduces the construction cost of the projects, and which are given on the date when the facility is connected to the power grid (in respect of photo-voltaic and/or storage facilities). The benefit which is received is generally transferred by the entrepreneur to a company with a tax liability, which pays for the tax credit, against its participation in part of the construction expenses. If the Company does not meet the required conditions to receive the benefit, beginning from the date of receipt of the benefit, and during the subsequent five years, the Company may lose some or all of the tax credits which were provided to it. Furthermore, if the Company engages in a transaction for the transfer of the tax credit to another company, the loss of tax credits in a significant amount may result in a breach of the engagement and the undertaking to compensate the partner bearing the tax liability. The loss of benefits, as stated above, could adversely affect the Company's cash flows, and its effectively received returns.

y. **Dependence on engagement in agreements as required to reach financial closing in the USA (sale of electricity and tax partner)**

- The sale of the electricity which is produced in the Company's facilities in the USA depends, inter alia, on the Company's ability to find an electricity consumer / electricity buyer. There is no certainty that the Company will succeed in finding an electricity consumer that will be interested in buying the electricity at a price which allows reaching the desirable returns for the Company, and with a long term commitment, and the Company's success depends on the contacts that it manages to create with potential electricity consumers in the market, and on Winning Tariff tenders which will be published by the electric electricity corporations.
- Insofar as the Company (or another party on its behalf) does not have sufficient taxable income in the USA, the possibility of exercising the federal tax credits in respect of projects which the Company will build in the USA depends on engaging with a local tax partner which has federal tax liability in the USA. There is no certainty that the Company will be successful in engaging with tax partners, as stated above, which could result in harm to the Company's returns from its activity in the USA.

z. **Changes in the regulatory environment**

In general, the Company's activity in the various territories depends and is based on a regulatory framework and various regulations, which may change from time to time, inter alia, in light of macro events, political considerations, and the promotion of agendas by the decision makers and legislative bodies in the target country. These changes could change or adversely affect the regulatory conditions under which the Company operates in the target countries, and as a result could limit the Company's ability to realize its strategic plans and/or adversely affect the Company's revenues and business results.

- (1) **Changes in the regulatory environment in Israel** - As specified in Section 7.1b(2) above, the Company's activity is subject to a regulation in Israel. The Group's income from such activity is exposed to changes in the regulatory environment, inter alia, in connection with the incentives and tariffs which have been determined for the sale of electricity, and various conditions which the Company is required to meet in order to receive the licenses for the construction of renewable energy facilities. Additionally, the electricity sector in Israel is expected to open up to a market model involving risks, in light of the discontinuation of the regulator's involvement in guaranteeing revenues from the sale of the electricity, and transition to a free market between willing parties.

- (2) **Changes in the regulatory environment in Poland** - The Company's activity is subject to the Polish regulation and to the Polish Renewable Energies Law. Changes to the regulatory environment in Poland may have a significant effect on the Company's activity. For more information regarding the regulatory environment in Poland, including the temporary legislation to limit electricity prices, see Section 7.2d above.
- (3) **Changes in the regulatory environment in the USA** – Company operations are subject to the American regulatory framework, on both the federal and state levels, and is particularly affected by the American tax regime. Regulatory changes, such as reduction of the tax credits which are given for photo-voltaic facilities with integrated storage technology and for storage facilities in the USA, or the establishment of preconditions which do not correspond to the Company's activity for the purpose of receiving the tax credit, may expose the Company to loss of incentives, or may impose on the Company additional unplanned costs. The reduction of the corporate tax rate in the USA may have a negative effect on the Company's ability to engage with partners to finance its activities. For more information regarding the regulatory environment in the USA, see Section 7.1c above.

### **31.3 Risk factors which are unique to the Company:**

#### **aa. Construction and operation risks**

- (1) due to the fact that the Company provides construction and operation services for its facilities in the target countries (independently and/or through subcontractors), the Company's activity is subject to construction risks on all matters associated with the construction of electricity generation facilities and the provision of operating services (including obtaining or maintaining appropriate licenses, fulfillment of timetables, safety aspects, dependence on staff, and technical equipment. A failure in one or more of these factors may result in the Company's exposure to an increase in costs, and could also have effects on all matters associated with the timetable, and even adversely affect the Company's operating results.
- (2) The timetables for the construction of the Company's facilities have a significant impact on its ability to meet the regulatory milestones for the purpose of receiving benefits and incentives. Insofar as significant contractors with whom the Company has engaged (directly and/or through its owned companies) do not meet the timetables which have been agreed upon with them, the Company may be exposed to the loss of tax credits in the USA, or to the loss of guaranteed tariffs to which it is entitled by virtue of the regulations, and could significantly harm or terminate agreements for financing the Company's activities (including engagements with tax partners in the USA) or for the sale of electricity in its facilities.
- (3) From time to time, the Company provides guarantees to secure the rights of entities which provide project finance for the construction of its owned projects during the construction period, and, in exceptional cases, during the operating period. In such cases, the Company may be exposed to the repayment of financing which was provided for projects which are held by subsidiaries, due to a breach of the subsidiary's undertakings in accordance with the financing agreement, during the construction and/or operation of the project.

**bb. Activity with partners**

In certain cases, and particularly in Israel, the Group's activity is based on collaboration agreements with third parties regarding the construction of various kinds of systems. There is a risk that disputes could arise between the Company and its partners, in a manner which could delay or hinder the construction of the systems, or adversely affect the joint operation's operations or assets. There is also a risk that one of the partners will encounter difficulties of various kinds, which could affect the joint activity.

*Information with regard to risk factors above and the impact thereof on the Company constitutes forward-looking information, as this term is defined in the Securities Act. This information is based, inter alia, on Company estimates based on past experience, knowledge of relevant markets for its operations and information regarding regulatory developments relevant for Company operations. The Company may be exposed to additional risk factors in the future, and the impact of each risk factor, should it materialize, may differ from the Company's estimates. As noted, forward-looking information is information based on information available to the Company as of the Report Date. Actual results may materially differ from those expressed or implied in such information.*

Presented below are the foregoing risk factors and their impact, according to the assessment of Company management, on its business results:

Risk factor	Extent of the risk factor's impact on the Group's activity		
	Major	Medium	Minor
<b>Macro-economic risk factors</b>			
Exchange rate	X		
Economic downturn		X	
Increases in input costs		X	
Exposure to changes in interest rates		X	
Exposure to changes in the index			X
Exposure to changes in taxation policy	X		
Cybersecurity risks in the field of organizational		X	
Global changes to the supply chain, shipping costs	X		
Security situation in Israel		X	
Competition		X	
Insurance			X
<b>Branch-specific risk factors</b>			
Competition over grid resources		X	
absence of available land		X	
Cybersecurity risks in the field of operational technology		X	
Non-receipt of licenses, quotas, and winning of tariff	X		
Dependence on approval of plans and receipt of permits	X		
Weather conditions, seasonality and changes in climate	X		
Functionality of facilities, safety, natural hazards, war and		X	
Lack of financing sources or difficulty in obtaining	X		
Breaches by the system manager or critical service			X
Exposure to land issues		X	
Environmental considerations			X
exposures due to tariff changes in the prices of electricity and green certificates in the target countries	X		
Compliance with the required conditions to receive tax	X		
Dependence on engagement in agreements as required to		X	
Changes in the regulatory environment	X		
<b>Risk factors which are unique to the Company</b>			
Construction and operation risks		X	
Activity with partners		X	

**Energix - Renewable Energies Ltd. (the "Company")**

**Board of Directors' Report Concerning the State of the Company's Affairs**

The Company's Board of Directors is pleased to present its report concerning the state of the Company's affairs for the year ended December 31, 2023 (hereinafter: the "**Reported Period**").

**Any reference to the "Company" or the "Group" in this report means the Company and/or the Company through its subsidiaries and/or through partnerships under its control. Unless expressly stated otherwise, the terms used in this chapter are as defined in Chapter C of the Report – Financial Statements.**

**Part A - The Board of Directors' Explanation of the Company's Business Situation**

1. **Summary description of the Company's activity**

Energix - Renewable Energies Ltd.<sup>1</sup> ("**Energix**" or the "**Company**") was incorporated in Israel on December 7, 2006 as a private company. In May 2011, the Company became a public company, and its securities were listed for trading on the Tel Aviv Stock Exchange Ltd. (the "**Stock Exchange**"). Alony Hetz Properties and Investments Ltd. ("**Alony Hetz**") has been the Company's controlling shareholder since it was founded.

As of the Report Date, and as of the Report Approval Date, the Company is engaged, independently and through subsidiaries and partnerships under its control (hereinafter, jointly: the "**Group**"), in the initiation, development, financing, construction, management and operation of facilities for the production of clean energy from renewable energy sources, and in the sale of the energy which is produced in those facilities.

In the Company's overall activities in Israel, the United States and Poland, the total capacity of its systems amounts to a total of 1,279MW in projects in commercial operation, 533MW and 318MWh (storage) in projects under construction or in pre-construction, and 473MW and 136MWh (storage) in projects in advanced development. The Company also has projects under development in the Photo-voltaic Segment and in the Wind Energy Segment with a capacity of 6.1GW, and projects under development in the Storage Segment with a capacity of 6.6GWh. For details and definitions regarding the classification of the projects which are owned by the Company by development stages, see Section 4 below.

Any reference to the Company and its activities, unless expressly Noted otherwise, is described on the level of the Group. The terms used in the Board of Directors' Report will have the meanings provided for them in the table of definitions provided in Note 1 to Part C - Financial Statements.

**For more information regarding the Company's activity, see Section 1 in Part A of the Report - Description of the Corporation's Business, and Sections 2-3 below.**

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<sup>1</sup> The Company was incorporated in 2006 under the name Amot Mikbatzim Ltd., which was subsequently changed to Amot Energy Ltd. In 2009, and later changed to Energix - Renewable Energies Ltd. In 2011.

**Reference to forward-looking information**

*It is clarified that the provisions of this Board of Directors' Report include, from time to time, reference to forecasts, estimates, approximations or other information pertaining to a future event or matter, which are uncertain to materialize, and which are not under the control of the Company and/or the Group, and which therefore constitute Forward-Looking Information, as this term is defined in Section 32a of the Securities Law - 1968 ("Forward Looking Information").*

*Accordingly, any reference in this report to "forward-looking information" means any forecast, estimate, approximation, or other information which refers to future events or matters, the materialization of which is uncertain and is not under the exclusive control of the Company and/or the Group. This information is based on knowledge which is available to the Company or to the Group as of the Report Approval Date, or on information which was published in external sources, and may change, inter alia, due to the effects of business-economic and regulatory variables, and of the general risk factors which are characteristic of the Company's activity, and which are therefore uncertain to materialize. Accordingly, the actual results in respect of such information may differ significantly from the presented information or from the results which have been estimated on the basis of the information, or are implied by such information, and which are included in this report.*

## 2. Major Events During the Reported Period and as of the Report Approval Date:<sup>2</sup>

### 2.1. Operating results in the Reported Period and in the fourth quarter

**The Company posted increase by 29% in revenues, 18% in EBITDA and 9% in net income for 2023, compared to 2022:** Company revenues in 2023 amounted to NIS 682 million, compared to NIS 527 million in the corresponding period last year. The increase in revenues is due to increase in capacity of projects in commercial operation, and given the revision of PPAs in Poland, which allowed the Company to benefit from high electricity prices in Poland in price setting transactions conducted by the Company in 2022. Note that Company revenues for the period include other revenues amounting to NIS 154 million, due to compensation paid to the Company in Poland for unwinding of transactions for fixing the electricity price which, if not for such unwinding, would have been recognized as revenues for the period from February 2023 to December 2023. Net income attributable to equity holders in 2023 amounted to NIS 258 million, compared to NIS 237 million in 2022.

Company revenues in the fourth quarter amounted to NIS 181 million (including attribution of revenues with respect to revision of agreements in Poland, amounting to NIS 45 million), a decrease by 7% compared to NIS 195 million in the corresponding period last year. The decrease in revenues is primarily due to the very low electricity prices in November-December 2023 in the market in Poland, compared to the corresponding period last year.

For analysis of operating results for the Reported Period and for the quarter, see Sections 5.2 and 5.4 below. For more information about the Company contracting of PPA revisions in Poland and unwinding of transactions for setting electricity prices, see section 3.2(ii) below and Note 10b(4)(b) and (c) to Part C of the report – Financial Statements.

**In light of the Company's operating results in 2023, the Company's Board of Directors resolved to pay an additional dividend, which will be paid together with the routine dividend for the first quarter of 2024. For more information see Section 3.5 below.**

### 2.2. Forecasts and strategy

#### (i) Forecast for 2024

The Company is revising its forecast for 2024, expecting revenues of NIS 920-1,020 million (revenues for the typical year, for connected backlog at end of 2024, is forecasted by the Company to be NIS 1,050-1,150 million); Gross project income of NIS 760-840 million (gross project income for the typical year, for connected backlog at end of 2024, is forecasted by the Company to be NIS 900-980 million); and project FFO (including bond financing) of NIS 570-640 million (FFO for the typical year, for connected backlog at end of 2024, is forecasted by the Company to be NIS 660-710 million).

Company forecasts for 2024 are based on electricity prices specified in PPAs in the three territories, including hedging agreements, tariff tenders and Forward prices in Poland. The forecast for 2024 was revised due to the decrease in Forward prices in Poland and given the Company assessment of the Company with regard to delay of several months in connection dates of projects under construction in 2024.

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<sup>2</sup> Includes Forward-Looking Information.

*For assumptions used by the Company in preparing its forecasts, see Section 4.4 below. The Company's actual revenues may differ significantly, depending, inter alia, on the actual scopes of production and electricity prices, and as part of future transactions in which the Company will engage, and there is no certainty that the electricity prices will remain at the price level which served as the basis for calculating the forecasts.*

**(ii) Long-term work plan targets**

The Company is revising upwards its long-term work plan targets (2026), estimating that by end of 2026 it would have a project backlog of 1GWh (storage) + 4.3GW. Based on market conditions as of the Report Approval Date, the Company is revising upwards its expected revenues from such projects to NIS 2.3billion (compared to NIS 2 billion as published last year), with EBITDA expected to be at 80%.

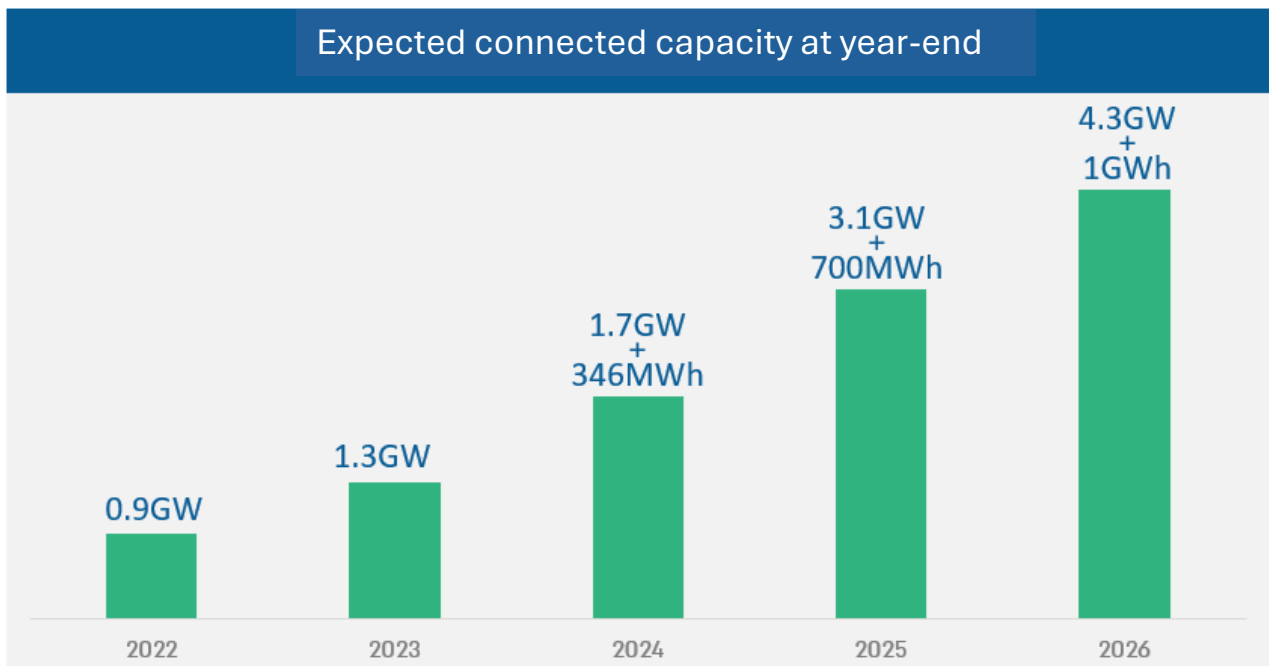
The total construction cost for these projects, based on market conditions and regulations as of the Report Approval Date, was revised upward to NIS 23.5 billion, of which NIS 3.5 billion in equity, already fully invested by the Company in its existing facilities. The remaining amount required for project construction should be obtained from financing transactions and the Tax Partner, as customary. The plan was revised due to additional storage capacity, revision of price forecast in target markets, exchange rates and expected tax credit rates for projects in the USA.<sup>3</sup>

**In light of the fact that, as of the Approval Date of the Report, the Company has already provided the entire equity for the construction of its facilities, the Company believes that it will not be required to additional equity for the purpose of building these projects, with a total construction cost of NIS 23.5 billion.<sup>4</sup>**

<sup>3</sup> For more information about the Company's assessment regarding ITC tax credit rates to which the Company would be entitled for projects to be constructed in 2024 and thereafter in the USA, see section 3.1(vi) below.

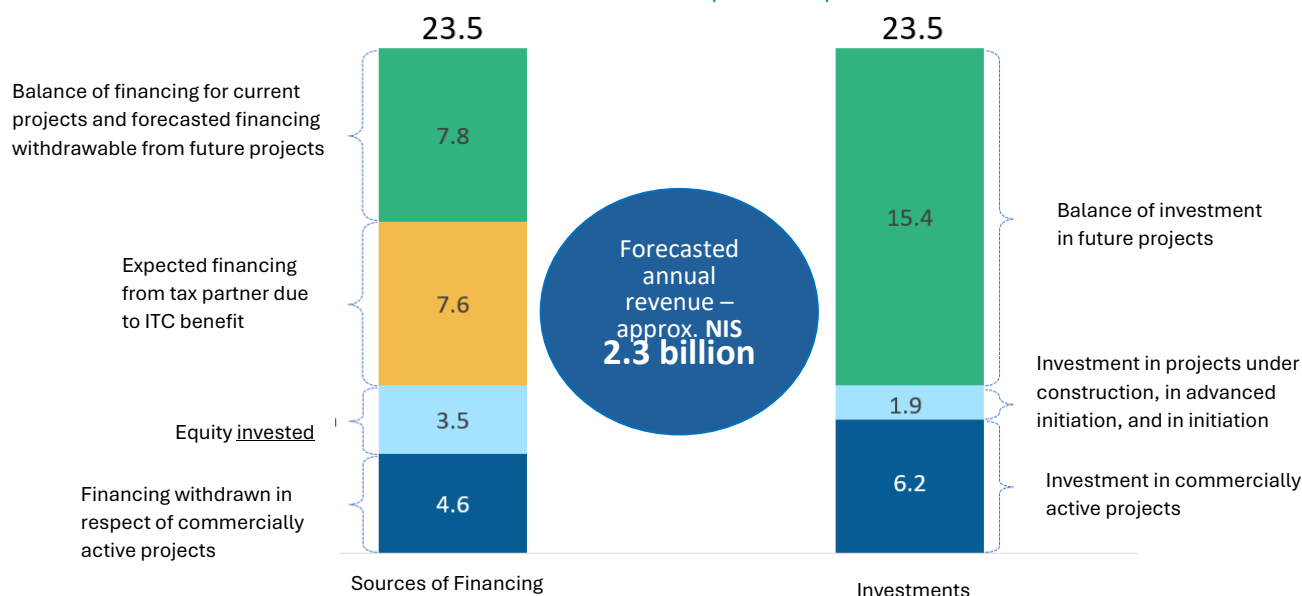
<sup>4</sup> Without affecting capital / debt that the Company may raise based on market conditions, opportunistically and in the Company's best interest.

The chart below describes the expected connected capacity through 2026:



The chart below describes the expected investments, financing and equity for connected projects of 4.3GW at end of 2026 (NIS in billions):

**Forecast of investments, finance and equity for the series of connected projects totaling 4.3GW at the end of 2026\* (NIS billions)**



**The Company has already invested all of the required equity for the construction of 4.3 GW in projects**

It is Noted that the above calculation does not include taking into account revenues and cash flows which will arise for the Company from its operating activities.

**For more information see Section 28 of Part A of this report – Description of Corporate Affairs.**

**2.3. Significant growth in projects in commercial operation in 2023; NIS 2.3 billion invested in projects under construction and development in the Reported Period, of which NIS 1.5 billion in the second half of 2023.**

- (i) In the Reported Period and through the Report Approval Date, the Company's total projects in commercial operation increased by 50%, to 1,279MW as of the Report Approval Date.
- (ii) The Company continues its massive construction effort. The Company has projects under construction, or expected to be under construction in 2024, with capacity of 533MW.
- (iii) The Company believes that by end of 2024, it would have connected projects with capacity of 1,740MW, an increase by 28% compared to end of 2023.
- (iv) The Company is in negotiations to acquire additional projects of significant capacity which, upon closing of their acquisition, should increase the capacity of projects under construction in 2024 by hundreds of MW.

**For more information see Company Project Backlog below, and Notes 10-15 in Part C of the report – Financial Statements.**

**2.4. Expansion of the Company's set of strategic collaborations:**

It is Company strategy to establish long-term collaborations with leading market players. The Company believes that such collaborations provide the Company with a significant competitive advantage, as well as being a platform for accelerated growth of the Company and for successful

implementation of its strategic plan. In this regard, the Company contracted in 2023 multiple significant strategic transactions:

- (i) **Negotiations for strategic collaboration (sale of electricity and green certificates, provision of Tax Partner investment):** As of the Report Approval Date, the Company is in negotiations for long-term strategic collaboration with respect to its future operations in the USA, after a wholly-owned US subsidiary of the Company signed, in December 2023, a non-binding MOU. As part of this strategic collaboration, subject to signing of binding agreements and subject to terms and conditions thereof, the subsidiary would sell to the strategic partner the electricity and green certificates generated by future Company projects in the USA, expected to be in commercial operation as from 2024, with initial capacity of 1GW or more. Furthermore, the strategic partner would provide the Tax Partner investment to projects subject to this contracting, so as to reflect the maximum ITC tax credit rate to which these projects are entitled. For more information see the Company's immediate report dated December 18, 2023 (reference no. 2023-01-137034), included herein in its entirety, by way of reference.
- (ii) **Contracting to purchase panels for future Company projects, with capacity of 5GWp, as part of strategic collaboration with First Solar:** As part of expanding the Company's strategic collaboration with First Solar, a leading global supplier of panels, in July 2023, the Company signed multiple agreements to purchase additional panels, with capacity of 5GWp<sup>5</sup>. This transaction is for future projects which the Company intends to construct in the Photo-Voltaic Segment in 2026-2030, mostly in the USA. The purchase transaction secures regular supply of panels to ensure construction of Company projects in the USA. Moreover, panel manufacturing in the USA would allow the Company, pursuant to provisions of the IRA, to benefit from a higher tax credit for local manufacturing, at 40% or more of the construction cost (*in lieu* of 30%). The purchase cost of the panels is estimated by the Company at a total of USD 1.5 billion, depending on the final capacity of the panels which will be purchased, and on the territory where they are purchased (inside or outside of the USA), and most of the amount will be paid near the time when the panels are received.

For more information see the Company's immediate report dated July 16, 2023 (reference number 2023-01-080565), which is included herein, in its entirety, by way of reference, and Note 15 to the Financial Statements.

- (iii) **Signing of financing transactions and expansion of strategic collaboration with Bank Santander CIB:** In the Reported Period and through the Report Approval Date, the Company and Santander CIB signed financing transactions amounting to NIS 2.2 billion for providing project financing, bridging loan and credit facilities in Poland and in the USA. Santander CIB is a leading bank globally in the field of renewable energy, acting to grow its involvement in the renewable energy market in the USA. For more information see Section 3.1 below and Note 14 to the financial statements.

**2.5. Signing of project financing transactions valued at over NIS 3 billion:** In the Reporter Period and through the Report Approval Date, the Company signed project financing transactions valued in total at NIS 3 billion in Israel, Poland and the USA. The Company is also in advanced negotiations to obtain additional project financing in all 3 territories where the Company does business. The Company's financing transactions are used to finance the construction of projects and/or to recover excess equity provided by the Company, to be used to finance construction of additional projects. For more

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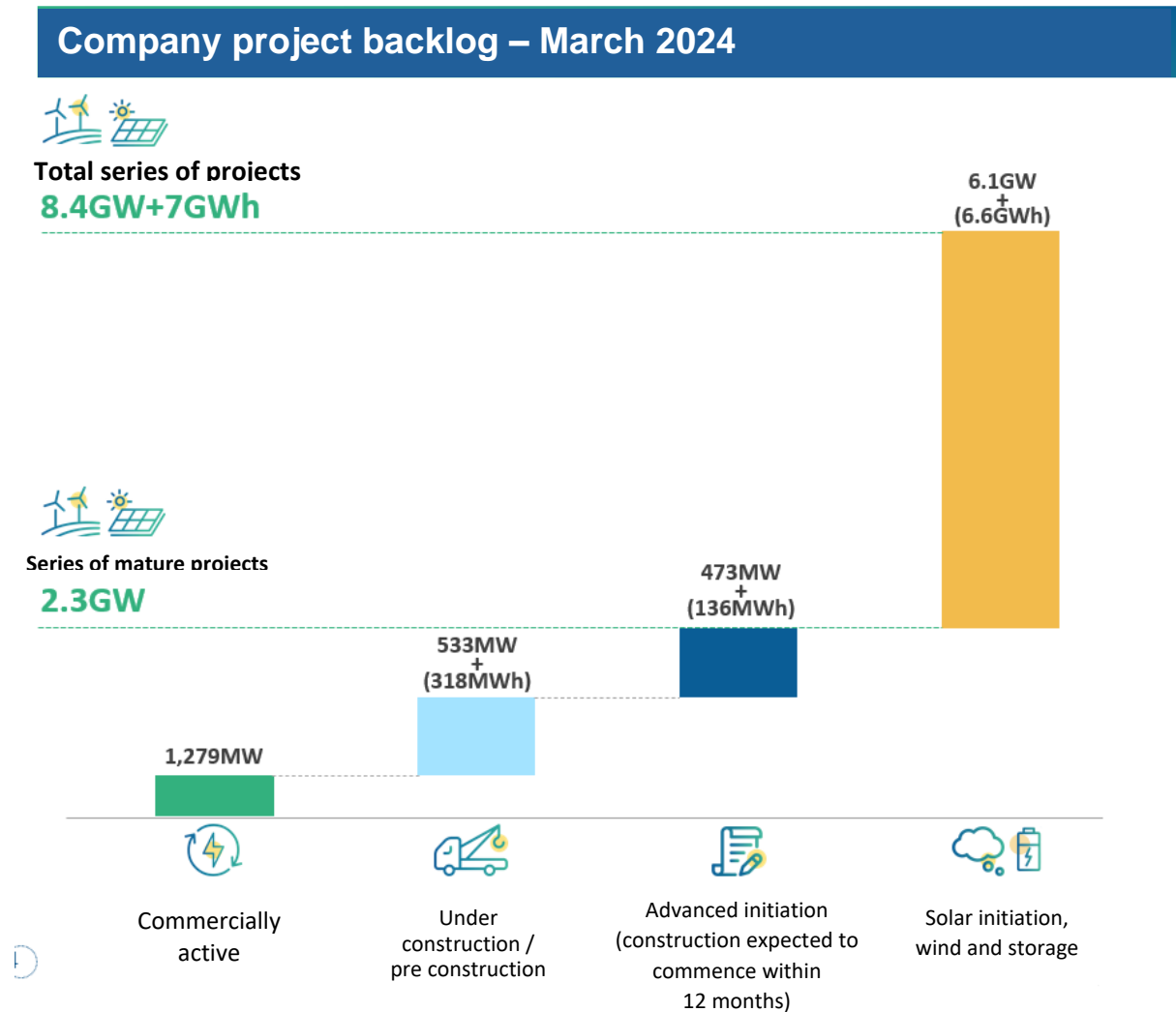
<sup>5</sup> The Company has the right to increase or decrease the supply of panels by an aggregate rate of up to 20%, whereby the total purchase cost of the panels will be updated accordingly.

information see Note 14c to the financial statements and immediate report regarding signed financing transactions and Tax Partner investment for Company operations in the USA, amounting to NIS 1.9 billion, dated April 23, 2023 (reference no. 2023-01-037927), immediate report regarding signing a financing transaction for Company operations in the USA with respect to projects in commercial operation, dated August 8, 2023 (reference no. 2023-01-091053) and immediate report regarding signing a financing agreement for construction of projects for generating electricity using photo-voltaic technology with integrated storage systems, amounting initially up to NIS 480 million, dated March 4, 2024 (reference no. 2024-01-021789), included herein in their entirety by way of reference.

**These financing transactions are in line with the Company's long-term work plan and targets, as part of project financing for targets in the 2026 work plan. For more information see section 2.2(ii) above.**

3. Key data regarding Company operations:

Company project backlog, as of the Report Issue Date:



3.1. Company operations in the USA – Bolstering growth and expansion of the Company in more states, as well as reinforcing its leadership position

(i) **Growing demand trend for green electricity:** The business environment in the renewable energy market in the USA continues to be the strongest ever. IRA regulations and strong demand for green, clean electricity, due to the significant growth in the data center market, promote growth in the renewable energy market, which is expected to double by end of the decade<sup>6</sup>. Given that the Company's geographic focus is on 3 of the top growing markets in the USA, and based on the strategic relationships the Company has created with leading market players, the Company believes it is well positioned to take advantage of market conditions as a platform for achieving its business targets, and for securing its accelerated growth over the coming years.

<sup>6</sup>For more information see [https://iea.blob.core.windows.net/assets/96d66a8b-d502-476b-ba94-54ffda84cf72/Renewables\\_2023.pdf](https://iea.blob.core.windows.net/assets/96d66a8b-d502-476b-ba94-54ffda84cf72/Renewables_2023.pdf)

(ii) **Completed construction and start of new construction:** As of the Report Approval Date, construction of all projects in Virginia Projects 3 and PA1, with total capacity of 412MWp, has been completed, they have been connected to the grid and are generating electricity. As of the Report Approval Date, the Company has started construction of other projects, with capacity of 210MWp, expected to be in commercial operation in 2024-2025. This project backlog should be significantly extended upon closing the acquisition of projects pursuant to agreements already signed by the Company and/or which are under negotiations. The Company also continues with construction and rapid promotion of projects under development, so as to secure its continued growth trend over the coming years, along with realizing the potential in the US market and maximizing project returns.

(iii) **Expansion of project backlog and M&A transactions:** In the Reported Period and through the report issue date, the Company continues to develop more projects, and has signed agreements to acquire projects. Below are details of acquisition transactions in the Reported Period and as of the Report Approval Date:

1. Acquisition of project with capacity of 65MWp in Virginia – the projects under construction for 2024 include a project with capacity of 65MWp in Virginia, acquired by the Company in the Reported Period for USD 7.5 million. The Company believes that the ITC tax credit eligibility for this project should be 50%, depending on provisions of the binding directives regarding use of US Made raw materials.
2. Acquisition of project with capacity of 76MWp in Pennsylvania – the projects under construction for 2024 include a project with capacity of 76MWp in Pennsylvania, acquired from a leading European energy company for USD 11 million. The Company expects the construction of this project to be completed in 2025. The Company believes that the tax credit eligibility for this project should be 50%, depending on provisions of the binding directives regarding use of US Made raw materials.
3. The Company has signed agreements with a local developer, to acquire two photo-voltaic projects in Pennsylvania, with total capacity of 200MWp, for USD 13 million. These two projects have existing agreements in place for sale of electricity to a major US company, as well as the key permits required for start of construction of these projects. Closing of the project acquisition is subject to signing a revised agreement for sale of electricity, at terms beneficial to the Company.
4. As of the Report Approval Date, the Company is in multiple other negotiations to acquire projects with significant capacities in various development stages.

(iv) **Acquisition of the partner's interests in the USA - the Company's entire activity in the USA wholly owned (100%):** In April 2023 the Company acquired, through a wholly owned American subsidiary, all of the local partner's interests in the US Joint Venture (42%), such that the Company's entire operations in the USA is wholly owned by the Company.

For more information see the Company's immediate report dated April 20, 2023 (reference number 2023-01-043275), which is included herein, in its entirety, by way of reference, and Note 15 to the Financial Statements.

(v) **Strategic collaborations:** For more information see section 2.4 above.

(vi) **Financing transactions and Tax Partner:**

Below are financing transactions and Tax Partner information, signed by the Company in the Reported Period and through the Report Approval Date:

- 1) In April 2023, the Company contracted, through a wholly owned structure of American companies, with Santander CIB and Morgan Stanley Renewables Inc., both leading global banks, transactions involving financing and investment by the Tax Partner in the amount of UD 540 billion. The transactions were designated to finance construction costs of projects with capacity of 412MWp, constructed by the Company in Virginia and Pennsylvania, which are in commercial operation as of the Report Approval Date. The Tax Partner investment may increase by up to USD 100 million, to reach up to USD 380 million, reflecting the Company estimate, as of the Report Approval Date, of the tax credit eligibility of these projects (50% tax credit for one project, and 40% for the others), subject to publication of regulations pursuant to the Inflation Reduction Act of 2022, which would specify the conditions to be met for eligibility for a further 10% tax credit for US Made manufacturing.<sup>7</sup>

It is clarified that the Company's estimate regarding the rate of eligibility rate for the ITC is based on:

- ✓ Strategic collaboration with First Solar and guarantee of panels made in the USA
- ✓ Purchase of additional main equipment made in the USA
- ✓ The location of the projects in areas which were defined in advance as eligible for additional tax credits
- ✓ Guidelines which were published in July 2023, regarding the eligibility for the ITC tax credit

For more information about the IRA legislation and tax credits, see section 6.6 in Part A – Description of the Corporation's Business.

- 2) In August 2023, the Company entered into an additional loan agreement with Santander CIB, in respect of commercially active projects in the USA with capacity of 224 MWp, on non-recourse basis, amounting up to USD 70 million. For more information see Note 14 to the financial statements.

For more information see Notes 7 and 14 in Part C of the report – Financial Statements, as well as immediate report dated August 8, 2023 (reference no. 2023-01-091053), included herein in its entirety by way of reference.

- 3) Negotiations for obtaining further financing for Company operations in the USA as from 2024:
  - (i) The Company is in negotiations for project financing (Warehouse Facility), to finance the Company's anticipated construction operations in 2024 and 2025. This financing is in addition to the expected investment by the Tax Partner, at 40%-50% of the project construction cost.
  - (ii) For more information about negotiations to establish a strategic partnership, to include providing the Tax Partner investment for projects to be in commercial operation as from 2024, see section 2.4 above.
  - (iii) The Company is in negotiations with various financial institutions and leading corporations, for potential contracting as Tax Partner for projects to be constructed by the Company in 2024 and beyond, for projects not included in the strategic partnership as set forth in section 2.4.

For additional details regarding commercially active projects, and projects under construction, in pre-construction and in advanced stages of initiation in the United States, see Section 4 below and Note 10b(2) to the Financial Statements.

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<sup>7</sup>The actual scope of the tax credits will depend on the actual fulfillment of the criteria that will be published in the regulations.

**3.2. Company operations in Poland:**

- (i) **Elections in Poland** – In the reported period, elections took place in Poland and a new, liberal government was formed which, as published, has a policy supportive of renewable energies. As published by the newly created government, it intends to amend existing legislation, so as to bolster and to provide incentives for the renewable energy market in Poland. To the best of the Company's knowledge, the new government's position, along with significant geo-political changes in Europe and more stable macro-economic data, result in accelerated growth in the renewable energy industry in Poland.
- (ii) **Revision of PPA agreements in Poland with the local broker to which the Company sells electricity, and expiration of interim legislation to cap electricity prices:** From December 1, 2022 through December 31, 2023, sales of electricity generated from renewable energy in Poland were subject to a temporary cap on electricity prices. In the first quarter of 2023, the Company signed an amendment to the power purchase agreements in respect of the fixed price transactions in which it had engaged with a local broker in respect of the capacity generated by all 5 of the Company's active wind farms in Poland, in a manner which will reduce the Company's exposure to the temporary cap on electricity prices for 2023, and will maximize the Company's revenues during this period. As part of the above, in February 2023, the Company engaged with the local broker in an agreement to unwind some of the transactions in which the Company engaged in respect of fixed price electricity in 2023, for a total consideration of PLN 185 million (NIS 153 million). The temporary cap on electricity prices expired on December 31, 2023.

For more information regarding the legislation as revised and the Company's engagement with the Polish broker of revised PPAs, see Sections 6.2 and 6.5 in Part A of the Report – Description of the Corporation's Business, Note 10b(4)(b) to the Financial Statements.

- (iii) **More moderate electricity prices and launch of tender regulation:** As from the fourth quarter of 2023, electricity prices in Poland have been more moderate. As for 2024, Company revenues are hedged by fixed price transactions for 72% of total expected electricity generation in Poland, at prices significantly higher than market prices.

Moreover, after the Report Date, in February 2024, the Company completed the requirements for entry into the tender regulation, whereby the Company committed to sell, as part of this tender regulation, electricity equal to 17%-20% of expected electricity generation at the two wind farms, Banie 3 (82MW) and Sepopol (44MW), for the first five years, and 82%-87% of expected generation in the remaining 10 years.

For more information see section 7.2(d)(b) of Part A of the report – Financial Statements.

- (iv) **Financing:** In the Reported Period and through the Report Approval Date, the Company withdrew a further NIS 300 million from project financing facilities for the wind farm in Poland. Furthermore, as of the Report Approval Date, the Company is in negotiations to obtain long-term project financing for the Banie 1+2 and Ilawa wind farms, with total capacity of 119MW, on non-recourse basis, of up to PLN 850 million. Subject to these negotiations reaching binding agreements and to compliance with conditions for withdrawal, this financing should reimburse equity to the Company and be used for investment in other projects.

- (v) **Expansion of Company project backlog:** After the Company's first PV project was connected to the grid in 2023, the Company is about to obtain all approvals and permits required for construction of another PV project, with total capacity of 30MWp. Construction and commercial operation of this facility are expected in 2024. Furthermore, in the fourth quarter the Company and a local developer signed an agreement to acquire a project for construction of a PV facility with capacity of 65MWp. The project is authorized for connection to the power grid in Poland. As of the Report Approval Date, the Company is striving to improve the project plans and is preparing to start construction thereof.
- (vi) **Projects in the Storage Segment:** In the Reported Period, the Company developed and promoted its first storage project in Poland (Greenfield), with capacity of 48MWh, as a stand-alone storage project. This project should be connected directly to the Company-owned grid in Poland. After this project has been awarded an environmental resolution and a construction permit, the Company intends to start project construction in the coming months and to bid on the capacity tender scheduled for December 2024.

For more information regarding commercially active projects, and projects under construction, in pre-construction, and in advanced initiation stages in Poland, see Section 4 above and Note 10b(3) to Part C of this report – Financial Statements.

### 3.3. The Company's activity in Israel - The Company as a leading player in the Photo-voltaic Segment in Israel, and development of a series of projects in the Storage Segment:

- (i) **Swords of Iron war** – On October 7, 2023, the Swords of Iron war broke out and is still ongoing. The Company believes, noting its global operations and its operating segment, that the war has negligible impact on its operating results. However, the war is expected to result in longer schedules for construction of Company projects in Israel, in the wind energy and photo-voltaic energy segment, and consequently – on timing of start of power sales from these facilities. For more information about projects under construction in the wind energy segment, see section 3.3 and reference to projects under construction and in pre-construction in section 4 below.
- (ii) **Construction of wind farm in Ramat HaGolan, with capacity of 104 MW (Clean Wind Energy Project):** After construction of this project was suspended in the Reported Period, due to objections by local residents, and given the need for preparation and assistance from the police, which are currently not available for the project company, construction work on this project has been temporarily discontinued.
- The Company believes that the re-start of construction would be delayed, to start subject to police availability; consequently, the project construction schedule would be extended. Therefore, the Company is acting to create the required infrastructure for the construction work, after conclusion of the Swords of Iron war, while concurrently acting to reduce current costs. In this regard, the Company is considering alternative use of the turbines purchased for the project, and has acted to adapt the set of approvals and agreements required for project construction (including contracting revisions to adapt the agreements signed with the turbine supplier and sub-contractors for construction work).

For more information about the Clean Wind Energy Project and review by the Company of indications of impairment, see Note 10b(5) to the financial statements. For more information about a material valuation underlying Company decisions, see Appendix F – Valuation of Recoverable Amount of Material Asset of the Company to Part C of this report – Financial Statements.

- (iii) **Contracting of power purchase agreements with a private provider, instead of competitive proceeding 2 (photo-voltaic facilities with storage):** The Company, through wholly-owned SPCs, has signed agreements with Electra Power Supergas Ltd. ("**Electra**") for sale of electricity with respect to six PV facilities with integrated energy storage, with capacity of 96MWp. Contracting of these agreements with Electra allows the Company to sell all of the electricity to be generated by those facilities, at a price which is significantly higher than the winning tariff according to the terms of the competitive proceeding, in exchange for the Company's undertaking to sell to Electra all of the electricity which will be produced at the facility, and the facility's entire storage capacity. Note that the agreement with regard to electricity generation by the solar facility is on As Generated basis, but the Company has an obligation to provide minimum storage, based on the capacity set forth in the agreement. The Company would act to assign the projects to be constructed pursuant to this competitive proceeding to the market model regulation, once they have been connected to the power grid. In light of the advantage of the market regulation over terms of the competitive proceeding, the Company is about to sign more agreements to sell electricity to a private provider in order to maximize the Company's revenues from those facilities.
- (iv) **Further construction:** The Company has started construction works of the Julis ultra-high voltage project with a capacity of 87MWp, after the project construction plan was approved by the National Infrastructure Committee and by the government. The project is expected to be in commercial operation in the third quarter of 2024.  
The Company is also in construction and in advanced development states of integrated solar + storage projects, with total capacity of 127MW and 406MWh, expected to be in commercial operation in 2024 and in 2025.
- (v) **Approval of national infrastructure plan in a tender awarded to the Company, with capacity of 70-80Mwp:** The Company was awarded a permit tender for planning of a land project with estimated capacity of 75MWp. This project was designated a National Infrastructure Project by the Government of Israel. The planning stage at the National Infrastructure Committee is expected to be completed in the first half of 2025.
- (vi) **Financing:**
- (1) In July 2023, the Company signed a binding financing agreement amounting up to NIS 255 million, with optional extension of financing by up to NIS 15 million, with a leading financial institution, to finance the construction of the Julis ultra-high voltage project in Israel with a capacity of 87MWp. For more information about this project and the financing transaction, see Note 10b(1)(c) and Note 14d(2) to Part C of this report – Financial Statements.
- (2) **After the Reported Period,** on March 3, 2024, a binding financing agreement was signed with Bank Leumi Le-Israel Ltd. for initial financing of up to NIS 480 million, for project construction as part of the second high voltage competitive proceeding with integrated storage, with total capacity of 96MWp and total storage capacity of 358MWh. The Company is expected to immediately withdraw NIS 143 million out of the total financing amount. For more information see immediate report dated March 4, 2024 (reference no. 2024-01-021789). For more information see section 3.3 below and Note 14d(2) to Part C of this report – Financial Statements.

For more information regarding commercially active projects, and projects under construction, in pre-construction, and in advanced initiation stages in Israel, see Section 4 below and Note 10b(1) to Part C of this report – Financial Statements.

**3.4. Engagements for raising capital and financing transactions during the Reported Period:**

For information regarding project finance transactions to which the Company is party, see Note 14c in Part C of the Report - Financial Statements.

**3.5. Dividend:**

The Company's Board of Directors, in its meeting on March 8, 2021, resolved to adopt a multi-year dividend policy, in consideration of the Company's continued growth, and in accordance with its needs. For more information about the Company's dividend policy, see section 4. of Part A of this report – Description of Corporate Affairs.

In accordance with the policy which was adopted, the Board of Directors resolved, on March 5, 2024, to determine that the dividend for 2024 will be in the total amount of NIS 0.40 per share, in the amount of NIS 0.10 per share for each quarter, subject to a specific resolution of the Board of Directors in each quarter, depending on the Company's needs and its compliance with the provisions of the law for the performance of distributions, as specified above. Additionally, in light of the Company's operating results for 2023, the Company's Board of Directors resolved that the Company will distribute an additional dividend in respect of 2023, in the amount of NIS 0.20 per share, which will be paid together with the dividend for the first quarter of 2024, whereby the total dividend amount for the first quarter will amount to NIS 0.30 per share.

In accordance with the above, the Company announced a dividend distribution for the first quarter of 2024 in the amount of NIS 0.30 per share (NIS 164 million in total), payable in March 2024.

### 3.6. Environment, Society, and Corporate Governance (ESG)

Energix set for itself the goal of being an independent power producer and actively participating in and leading the green energy revolution. Beyond the fact that the Company's commercial activity is entirely focused on the production of green energy from renewable sources, the Company also emphasizes the creation of added value, as reflected in its "triple win" strategy: contributing to the environment, contributing to the community, and adding value to the Company's activities. This activity, along with the existence of corporate governance based on the values of transparency, leadership and professionalism, create added value for the Company, in a way that allows the sum to be greater than its parts.

The Company published its first corporate responsibility report in 2021. The report specifies the environmental, social and economic impact of the Company's global activity in the development, construction and operation of facilities for the production of electricity from renewable energy, as of 2020. In August 2022, the Company published its second corporate responsibility report, which presented a significant improvement on various ESG metrics relative to the report which was published last year. The improvement in the metrics was reflected in a significant increase in the Company's ESG ranking on various metrics, where in accordance with the Company's rating by the agency S&P Global, the Company is currently ranked in the 65th percentile in the sector, out of 308 companies. The report presents the Company's continued activity towards growth and expansion of the ESG metrics, and the Company's performance and achievements in the Reported Period.

As part of the ESG management processes, the Company chose to adopt a road map and to establish twelve ESG ambitious targets, focused on significant issues pertaining to the Company's core activities, including fighting climate change, promoting gender equality, and investing in local communities.

Below are the Company's main achievements:

1. **Environment (E):** Environmental achievements are mostly measured using quantitative indicators, which are measured by reduction in the creation of various pollutants, in greenhouse gas emissions, water, waste production, and others. Energix, as a green energy producer, contributes to the environment not only thanks to the production of clean electricity and avoiding coal, but also through strict environmental management of its activities:
  - (i) Greenhouse gas emissions and reduction of air pollution – The Company was one of the leaders in its field in Israel in terms of the scope of green energy it produced, thereby significantly contributing to the prevention of greenhouse gas and air pollutant emissions. Company operations have prevented emission of hundreds of thousands of tons of greenhouse gases, and thousands of tons of air pollutants.
  - (ii) Water savings – The Company, thanks to its operating methods, uses natural resources more efficiently than energy produced from fossil fuels. In this way, Energix has saved hundreds of billions of liters of water in energy production processes.
  - (iii) Environmental preservation – The Company focuses, during all stages of the initiation, construction and operation of its projects, on minimizing the impact of its activity on ecological systems by various means, including building pathways for the movement of animals, using various advanced technologies to monitor animal activity, investing in the preservation of the land and water sources located near the sites, and more.
  - (iv) Reducing the carbon footprint – 100% of the Company's solar panels and turbines are purchased from suppliers which uphold highly advanced environmental standards, thereby contributing to reducing the Company's carbon footprint throughout the entire value chain

of the projects. The Company has also adapted a procedure for use of electric vehicles (or at least hybrid ones), unless no other alternative is available, and Company offices in Israel and in the USA are located in buildings with LEED Platinum and Gold standards for green construction.

**2. Community & Society (S):**

- (i) Investment in the community - The Company places a great deal of importance on working for the communities where its projects are built. The Company has adopted a social project investment policy as part of its projects, as well as a general donations policy. In 2023, the Company donated as part of the framework of long term collaborations with non-profit organizations and associations, and through the community donation program, and in development of community infrastructure located near the operational sites. The Company's total scope of donations is at the upper standard level.
- (ii) Safety and security - Protecting the safety of the Company's employees and of the Company's contract workers during their work is a fundamental value for the Company, and the Company places a significant emphasis on this aspect, in all 3 of its operating territories. In 2023, no severe injuries were suffered by the Company's employees or by contract workers in its operational sites.
- (iii) Staff development – The Company promotes staff development, along with professional training and personal growth. During the year, many hours were invested in staff training, and in particular in training on diversity and inclusion in the work place.

**3. Governance (G):** The Company, like the other member companies of Alony Hetz Group, emphasizes the implementation of proper governance, based on the values of transparency, leadership and professionalism. This approach is reflected the following:

- (i) Equal opportunity employment - The Company works intensively to create an environment of equal opportunity in the Company. As of the end of 2023, 43% of Company Board members are women, and 44% of global management are women.
- (ii) Board independence – 57% of Board members are independent Board members.
- (iii) Meeting the highest international standards - The Company meets very high standards in the fields of environmental and ecological management, social impact and transparent conduct, as reflected in EBRD's policy and preconditions for investment, regarding the entities in which it invests, or to which it provides financing.

As part of the ESG report which the Company will publish for 2022-2023, it intends to present its progress on the realization of the long term goals that were set, in order to work on continuous improvement, and to work on entering the relevant indices in the field.

#### 4. Key data regarding Company operations:

The Company has systems for the production of electricity in the Photo-voltaic Segment and in the Wind Energy Segment (i.e., which are connected to the power grid, and which produce and sell the electricity produced therein), as well as projects in various stages of construction, development and development.

**The Company's forecasts and estimates, as detailed in this Section below, regarding the operating results, costs and dates on all matters pertaining to projects under construction or in various development, constitute "forward-looking information", as defined in Section 32a of the Securities Law - 1968, whose materialization is uncertain (hereinafter: "Forward Looking Information"). Such information is based on the knowledge existing in the Company or the Group as of the Report Approval Date, and it includes assessments of the Company or its intentions pertaining to the Company and/or the Group, as of the Report Date. It is hereby clarified that the actual results in respect of such information may differ significantly from those expressed or implied in such Forward-Looking Information (in whole or in part). This is due, *inter alia*, to the effects of business-economic and regulatory variables, and of the general risk factors which are characteristic of the Company's activity, and which are therefore uncertain to materialize.**

#### 4.1 Principal details regarding the Company's connected systems, systems under construction, systems in pre-construction and systems in development stages, as of the Report Approval Date:

For an overview of Company operations as of the Report Approval Date, the tables below present a summary description of projects in commercial operation, under construction, in pre-construction and under development:

The figures presented in the tables are in millions of NIS (unless stated otherwise), and the results are without the impact of IFRS 16 and without the impact of the amendment to IAS 23, as specified in Note 3g to the Annual Financial Statements.

**In commercial operation projects**

Projects whose construction has been completed, and whose produced electricity is being transmitted to the relevant power grid:

Country	Technology	Capacity (MW)	Revenue source	Original construction cost	Project finance facility	Project results for the twelve-month period ended December 31, 2023 (NIS in millions)				Forecasted project results in 2024 (NIS in millions)				Company's share
						Revenues	Gross profit	Project-specific FFO	Net cash flows after debt service / payment of share of the Tax Partner in the USA	Revenues	Gross profit	Project-specific FFO	Net cash flows after debt service / payment of share of the Tax Partner in the USA	
Israel (1,2)	Photo-voltaic	330MWp	Sale to the Electric Corporation at a fixed, CPI-linked tariff, for a period of 20-23 years after the date of commercial operation	1,200	1,195	148	113	90	24	150-160	115-123	92-98	35-39	199MWp through the Joint Venture (Israel) - the Company's share - 70% (91% in cash flow). All other projects are wholly owned
Poland (3,4,5,11)	Wind	301MW	Electricity - sale on the power exchange or in accordance with fixed price agreements. Green certificates - sale on the exchange or in long term agreements.	1,579	784	480	416	398	375	555-575	480-500	443-459	413-421	100%
Poland (6)	Photo-voltaic	12MWp	Sale on the market (including fixed price transactions) and/or CPI-linked tender price	34	-	4	4	4	4	4	4	4	4	100%
USA (Virginia Projects 1 and 2) (7,8,9)	Photo-voltaic	224MWp	Electricity - Sale at a fixed price for a period of 12-15 years, or sale to the electric corporation at market prices, in parallel with a hedging transaction for 6 and 12 years. Green certificates - sale at a fixed price over a period of 12-15 years.	569	312	47	32	23	10	54-59	43-47	26-30	10-12	100%
USA (Virginia Projects 3 and Pennsylvania) (10,12)	Photo-voltaic	412MWp	Electricity - Sale at a fixed price for a period of 12-15 years, or sale to the electric corporation at market prices, in parallel with a hedging transaction for 6 and 12 years. Green certificates - sale at a fixed price over a period of 12-15 years.	1,224	1,129	1	1	1	1	140-150	118-124	61-66	30-36	100%
Total in commercial operation projects		1,279		4,606	3,420	681	567	516	414	903-948	760-798	626-657	492-512	

- 1) The Company provides financing to the Israel Venture at interest of 8%-10% per year. 70% of the venture's distributable cash flows are being paid to the Company for the purpose of repaying the financing, and the remaining 30% is being divided between the partners in accordance with their respective shares, until the aforementioned loans have been repaid in full. Subsequently, the distributable cash flows will be distributed between the partners in accordance with their respective shares.
- 2) In the Reported Period, revenues from the winning projects in the third and fourth processes amounted to a total of NIS 37.5 million. The above information includes projects with a capacity of 23MW from competitive proceeding 4, the construction of which was completed, and which are awaiting connection to the power grid from the electric corporation.
- 3) The wind farms Banie 3 and Sepopol won guaranteed, CPI-linked tenders (as of the Reporting Date - PLN 250-268 per 1MWh), for 15 years, in respect of electricity output at an average rate of 65% of the expected production of electricity in each of the wind farms. For Company entry into the tender regulation after the Report Date, see Note 10b(4)(d)(3) to the annual financial statements.
- 4) The wind farm Banie 4 won a guaranteed, CPI-linked tariff (as of the Reporting Date - PLN 280-285 per 1MW), for 15 years, in respect of electricity output at an average rate of 80% of the expected electricity production. The Company has the possibility to choose not to enter into the tender regulation, and to waive the guaranteed tariff until February 2025. A decision on the matter will be made around that time, depending on the state of the power market and the electricity prices at that time, inflation forecasts, etc.  

During the Reported Period, revenues during the testing period of Banie project stage 4 amounted to a total of NIS 49 million. In June, the project fulfilled all of the requirements, and received a permanent electricity production license. Until the date of receipt of the permanent license, the financing expenses in respect of the project loan during the testing period were capitalized to the system's cost, and therefore, FFO during the testing period did not include financing expenses in respect of the project.
- 5) The projected revenues and results in Poland in 2023 include income from compensation due to the unwinding of fixed price transactions. For additional details, see Note 10b(4)(c) to the Consolidated Financial Statements.
- 6) In the Reported Period, revenues during the Lubanowo project testing period amounted to a total of NIS 4 million. As of the Report Approval Date, the project is awaiting the receipt of a permanent production license. Project expenses during the testing phase were capitalized to system cost.

- 7) The agreement vis-à-vis the Tax Partner in the United States (for additional details, see Note 10b(2)(b)b to the Annual Financial Statements) determined, inter alia, the rate of cash distribution between the Company and the Tax Partner during a period of approximately 5 years, after which 95% of the cash flows will be used by the Company. In the above table, the Company's share in cash flows is presented net of the payment of the Tax Partner's share.
- 8) In Virginia Projects 2, the Tax Partner's undertaking applies to 5 of the 6 projects. In the sixth project, the Company is using the tax credits, in the amount of USD 10 million, for its own uses.
- 9) The original construction cost represents cost to third parties, including financing expenses during the construction period, tax payments in respect of development and construction profits, less the Tax Partner's investment in respect of the tax credit (ITC).
- 10) Projects under construction in Virginia and Pennsylvania with capacity of 412MWp are based on the assumption that the Tax Partner's investment will be at 40%-50%, pursuant to the new IRA. Note that as of the Report Issue Date, final regulations for the Local Content credit have yet to be made public. For more information see section 3.1(vi) above.
- 11) As of the Report Approval Date, the Company is in negotiations to obtain long-term project financing for the Banie 1+2 and Ilawa wind farms, with capacity of 119MW, on non-recourse basis, of up to PLN 850 million.
- 12) The financial data are based on an exchange rate of NIS 3.71 to USD 1, and on an exchange rate of NIS 0.93 to PLN 1.
- 13) Capacity details: wind – in MW; photo-voltaic – in MWp; storage – in MWh.

**\* Includes forward looking information which is based, inter alia, on the electricity prices as of the Report Approval Date.**

**Projects under construction or pre-construction**

Projects of the Company which are under construction or whose actual construction is expected to begin in the near future:

Country	Project	Technology	Capacity (MW)	Revenue source		Electricity sale tariff per produced 1KWh (in NIS)	Projected construction cost	Project finance facility	Projected date of commercial operation	Cost invested as of the Report Date	Projected project results in the first full year of operation				Company's share in the project
											Revenues	Gross profit	FFO	Net cash flows after debt service / payment of share of the Tax Partner in the USA	
Israel	Clean Wind Energy (1)	Wind	104 MW	Sale to the Electric Corporation at a fixed, CPI-linked tariff, for 20 years after the date of commercial operation		0.303	650-750	Up to 650	Second half of 2025	518	93-101	77-83	58-62	30-34	80.5%. Share in results and in net cash flows - 100%
	Photo-voltaic projects including storage capabilities	Photo-voltaic	104MWp Includes storage capacity of 318MWh	In accordance with the power purchase agreements with the providers and sale to the customer at a CPI-linked fixed tariff, for 23 years after the date of commercial operation			540-580	Up to 470	In 2024	275	57-62	46-50	24-28	12-14	100%
	First competitive proceeding for ultra-high voltage systems (6,7)	Photo-voltaic	87MWp	CPI-linked tariff for 23 years	0.162	240-280	Up to 255	First half of 2024	217	22-26	16-20	9-13	2-4	70%. Share in results and in net cash flows - 91%	
Poland	PV project in Poland 30MW	Photo-voltaic	30MWp	Sale on the market (including fixed price transactions) and/or CPI-linked tender price			82-94	Not yet determined	Second half of 2024	-	10-14	8-10	8-10	8-10	100%
USA (2,5,8,9)	Projects under construction in Virginia	Photo-voltaic	132MWp	Electricity - Long term agreement for sale, at a fixed price, to the Electric Corporation or to the end consumer, or sale to the Electric Corporation at market prices, in parallel with a long term hedging transaction. Green certificates - Long term sale agreement at a fixed price			330-350	Not yet determined	In 2024	170	48-54	42-46	42-46	42-46	100%
	Project under construction in Pennsylvania	Photo-voltaic	76MWp	Electricity - Long term agreement for sale, at a fixed price, to the Electric Corporation or to the end consumer, or sale to the Electric Corporation at market prices, in parallel with a long term hedging transaction. Green certificates - Long term sale agreement at a fixed price			160-180	Not yet determined	In 2025	130	30-34	25-29	25-29	25-29	100%
Total under construction and in pre-construction			533MW Includes storage capacity of 318MWh			-				1,308	260 - 291	214 - 238	166 - 188	119 - 137	

- 1) In accordance with the series of agreements which were signed between the Company and the Clean Wind Energy Project, and the revenue forecast, the Company's share in the cash flows is 100% until the repayment of all of the liabilities to the Company. After all of the liabilities towards the Company have been repaid, the distributable cash flows will be distributed to the owners in accordance with their respective shares.
- 2) The original construction cost represents cost to third parties, including financing expenses during the construction period, tax payments in respect of development and construction profits, less the Tax Partner's investment in respect of the tax credit (ITC).
- 3) Capacity details: wind – in MW; photo-voltaic – in MWp; storage – in MWh.
- 4) The financial data are based on an exchange rate of NIS 3.71 to USD 1, and on an exchange rate of NIS 0.93 to PLN 1.
- 5) In Virginia projects under construction with capacity of 132MWp, based on the assumption that the Tax Partner's investment will be at 40%-50%, pursuant to the new IRA. In Pennsylvania projects under construction with capacity of 76MW, based on the assumption that the Tax Partner's investment will be at 50%, pursuant to the new IRA. Note that as of the Report Issue Date, final regulations for the Local Content credit have yet to be made public. For more information see section 3.1(vi) above.
- 6) The Company provides financing to the Israel Venture at interest of 8%-10% per year. 70% of the venture's distributable cash flows are being paid to the Company for the purpose of repaying the financing, and the remaining 30% is being divided between the partners in accordance with their respective shares, until the aforementioned loans have been repaid in full. Subsequently, the distributable cash flows will be distributed between the partners in accordance with their respective shares.
- 7) Until the date of commercial operation, the winning tariff was linked to the exchange rate and the CPI. On the winning date, the tariff was 15.6 agorot per installed 1KWp.
- 8) The Company's estimate regarding the projected results from these projects is based on the power purchase agreements which have been signed, or on the Company's estimates regarding the range of electricity prices which are expected for the projects, within the framework of power purchase agreements which will be signed in the future.
- 9) **In addition to projects under construction / in pre-construction in the USA, as listed in the table, the Company has signed agreements with a local developer, to acquire two photo-voltaic projects in Pennsylvania, with total capacity of 200MWp, for USD 13 million. These two projects have existing agreements in place for sale of electricity to a major US company, as well as the key permits required for start of construction of these projects. Closing of the project acquisition is subject to signing a revised agreement for sale of electricity, at terms beneficial to the Company.**

**\* Includes forward looking information which is based, inter alia, on the electricity prices as of the Report Approval Date.**

**Projects in advanced development**

Projects in advanced development include the series of Company projects which the Company estimates can reach a financial closing or readiness for construction within the next 12 months, or projects in development stages which have won a guaranteed tariff;

Country	Project	Technology	Capacity (MW)	Revenue source	Projected date of commercial operation	Status	Projected construction cost	Cost invested as of the Report Date	Projected income in first year of full operation	Company's share in the project
Israel	Photo-voltaic projects including storage capabilities – under advanced development	Photo-voltaic	23MWp Includes storage capacity of 88MWh	In accordance with the power purchase agreements with the providers and sale to the customer at a CPI-linked fixed tariff, for 23 years after the date of commercial operation	In 2024	In licensing stages	125-145	75	14-18	100%
Poland	Nowa karczwa	Wind	68MW	Sale on the market (including fixed price transactions) and/or CPI-linked tender price	In 2025	The site has a building permit. In the grid connection approval process.	420-440	3	85-95	100%
	Prądy	Photo-voltaic	65MWp	Sale on the market (including fixed price transactions) and/or CPI-linked tender price	First half of 2025	In planning and development stages	245-265	9	23-29	100%
	Nowe Czarnowo	Storage	Storage capacity of 48MWh	Sale on the market (including fixed price transactions) and/or CPI-linked tender price	First half of 2025	In planning and development stages	35-55	-	11-15	100%
USA	Projects under advanced development in the USA (1,2)	Photo-voltaic	317MWp	Electricity - Long term agreement for sale, at a fixed price, to the Electric Corporation or to the end consumer, or sale to the Electric Corporation at market prices, in parallel with a long term hedging transaction. Green certificates - Long term sale agreement at a fixed price	In 2025-2026	In planning and development stages	1050-1150	171	123-133	100%
Total in advanced development:			473MW + 136MWh				1,875 - 2,055	258	256 - 290	

- 1) The Company's estimate regarding the projected results from these projects is based on the power purchase agreements which have been signed, or on the Company's estimates regarding the range of electricity prices which are expected for the projects, within the framework of power purchase agreements which will be signed in the future.
- 2) **Assuming the Tax Partner investment is at 40%, pursuant to the IRA. Note that as of the Report Issue Date, final regulations for the Local Content credit have yet to be made public. The original construction cost represents cost to third parties, including financing expenses during the construction period, tax payments in respect of development and construction profits, less the Tax Partner's investment in respect of the tax credit (ITC).**
- 3) Capacity details: wind – in MW; photo-voltaic – in MWp; storage – in MWh.
- 4) The financial data are based on an exchange rate of NIS 3.71 to USD 1, and on an exchange rate of NIS 0.93 to PLN 1.

\* Includes forward looking information which is based, inter alia, on the electricity prices as of the Report Approval Date.

**Initiated projects**

Initiated projects include the Company's series of projects in various stages of development, which may mature into projects under construction, in which the Company has ties to the land, and in which the Company is working to obtain the permits and authorizations which are required for their construction.

Country	Technology	Capacity (MW) (1)
Israel	Photo-voltaic (including integrated storage)	565 MWp
	Storage	500 MWh
USA	Photo-voltaic	4,800 MWp
	Storage	6,000 MWh
Poland	Wind	586 MW
	Photo-voltaic	200 MWp
	Storage	100 MWh
Total photo-voltaic and wind projects in development stages		6,151 MW
Total storage projects in development stages		6,600 MWh

- 1) Capacity information: wind – in MW; photo-voltaic – in MWp; storage – in MWh.

**\* Includes Forward-Looking Information**

**The information provided in Section 4 above, in respect of projects under construction or in pre-construction, projects in advanced development and projects in development, includes Forward-Looking Information, as defined above. Actual results may be materially different from those expressed or implied in such Forward-Looking Information (in whole or in part).**

**4.2 Development and initiation activity in the Photo-voltaic Segment:****i. Initiation Activities in the Photo-voltaic Segment in Israel**

For more information about the Company's development operations, see section 4 above, section 7.1b of Part A of this report – Description of Corporate Affairs, and Note 10b(1)15a(2) of Part C of this report – Financial Statements.

**ii. Initiation Activities in the Photo-voltaic Segment in the USA**

For more information about Company operations in the USA, see section 4 above, section 7.1c of Part A of this report – Description of Corporate Affairs, and Note 10b(2)15a(3) of Part C of this report – Financial Statements.

**iii. Initiation Activities in the Photo-voltaic Segment in Poland**

For more information about Company operations in Poland, see section 4 above, section 7.1d of Part A of this report – Description of Corporate Affairs, and Note 10b(2)15a(4) of Part C of this report – Financial Statements.

**4.3 Development and development activity in the Wind Segment:****iv. Initiation activities in the Wind Energy Segment in Israel**

For more information about Company operations, see section 4 above, section 7.2 of Part A of this report – Description of Corporate Affairs, and Note 10b(2)15a(1)(3) of Part C of this report – Financial Statements.

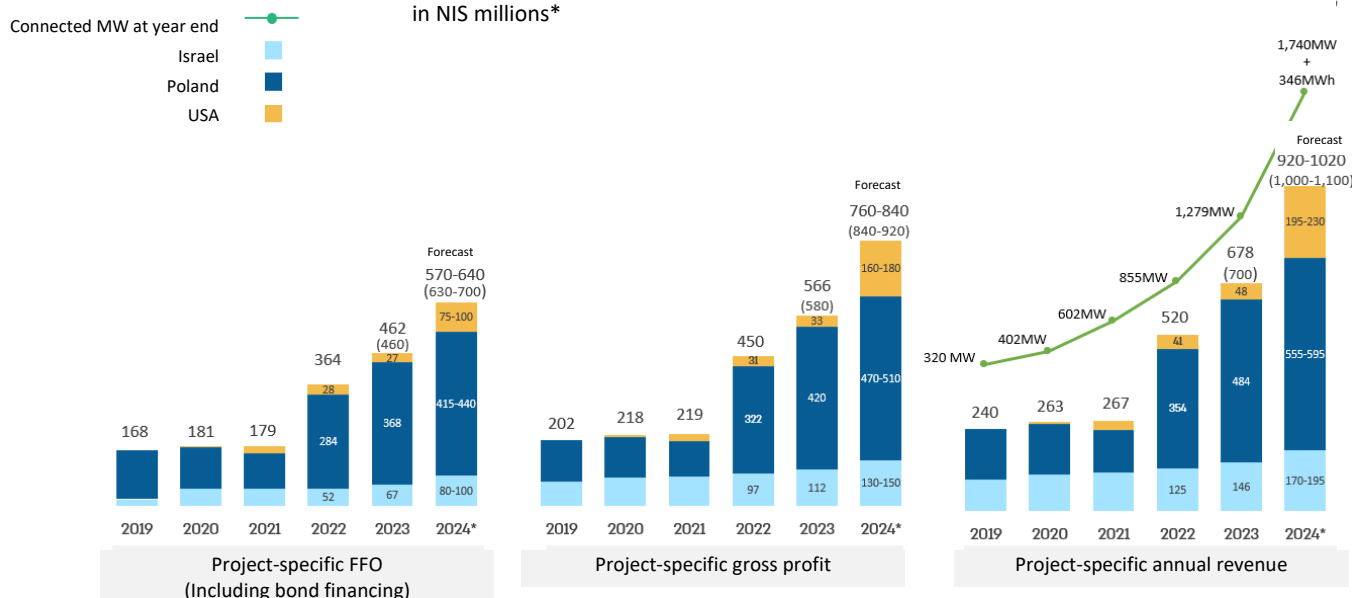
**v. Initiation activities in the Wind Energy Segment in Poland**

For more information about Company operations in Poland, see section 4 above, section 7.2d of Part A of this report – Description of Corporate Affairs, and Note 10b(2)15a(4) of Part C of this report – Financial Statements.

#### 4.4 Operating results and forecasts as of the Report Approval Date:

##### Development of the Company's operating results

Presented below are the Company's results and forecasts with respect to its owned systems, in NIS millions\*



\* Projected results.

\*\* In 2023, Company revenues were lower than forecasted, at NIS 22 million, and project gross income was lower than forecasted, at NIS 14 million, due to low electricity prices in Poland in the fourth quarter, primarily in November-December.

The forecast revision for 2024 was due to lower Forward prices in Poland, and given Company assessment of several months' delay in project connection dates in 2024.

\*\*\* The revenue forecast for 2024 included revenues from projects in commercial operation at NIS 890-980 million and from projects under construction at NIS 30-40 million.

\*\*\* Project FFO for 2023 excludes management, headquarters and other expenses, development expenses and payroll and associated expenses amounting to NIS 108.5 million.

\*\*\*\* In 2023-2024, information in brackets includes the forecast range provided by the Company in previous reports.

**The aforementioned forecasts for 2024 constitute forward-looking information.**

**Actual results may differ significantly from the results which are estimated or implied based on the above information, entirely or partially, depending on the actual scopes of production and actual electricity prices and there is no certainty that the electricity prices will remain at the price level which served as the basis for calculating the forecasts.**

Clarifications:

- a) Definitions: **“Project-specific gross profit”** - Profit from projects (excluding general and administrative expenses, and development expenses) before financing, taxes, depreciation and amortization; **“Project-specific FFO”** – funds from project-specific current operations Calculated as project-specific gross profit less cash flow finance expenses during the period of commercial operation, including cash flow finance expenses in respect of bonds (including cross currency swap transactions in respect thereof, less current taxes.

- b) The Company's results are presented according to the Company's share in the cash flow from the projects (effective rate of cash flows, while taking into account senior shareholder's loans which the Company has given to the project entities), while neutralizing the effect of IFRS 16 - Leases.
- c) Projected data for coming years are in accordance with the Company's forecast, as of the Report Approval Date, based, inter alia, on the following assumptions:
- 1) Operating results are based on the Company's in commercial operation systems, and the Company's estimate regarding the commercial operation date of its systems which, as of the present date, are under construction, in pre-construction and in advanced development, and the financing transactions with respect thereto, including cash interest expenses in respect of the bonds (Series A and B):
  - 2) Exchange rates which were used to calculate the forecast:
    - PLN 1 to NIS 0.93
    - USD 1 to NIS 3.71
- d) Sensitivity analysis of Company projected results for 2024:  
Different variables, mostly including weather conditions and production ability, market prices of electricity in the USA, and market prices of electricity and green certificates in Poland, as well as changes in the PLN and USD exchange rates, may have a significant impact on the Company's operating results in 2024.

Presented below is a partial sensitivity analysis in respect of these variables (each pertaining to itself only, without cross changes) which the Company made in the 2024 forecast, in light of the fixed price transactions which the Company performed (in millions of NIS):

1. Output:
  - A 10% change in electricity output in Poland would affect Company revenues to the tune of NIS 14 million.
  - A 10% change in electricity output in the USA would affect Company revenues to the tune of NIS 14 million.
  - A 10% change in electricity output in Israel would affect Company revenues to the tune of NIS 17 million.
2. Prices:
  - A 10% change in electricity prices in Poland would affect Company revenues to the tune of NIS 7 million.
  - **A 10% change in market price for green certificates in Poland would affect Company revenues to the tune of NIS 4 million.**
  - A 10% change in market price of electricity in the USA would affect Company revenues to the tune of NIS 1 million.
3. Exchange rates:
  - A 10% change in the PLN/NIS exchange rate would affect Company revenues to the tune of NIS 57 million.
  - A 10% change in the USD/NIS exchange rate would affect Company revenues to the tune of NIS 21 million.

The projected results are also sensitive to the grid connection dates of projects under construction, in pre-construction and in advanced development. These connection dates are not under the Company's exclusive control, and depend, inter alia, on the receipt of various permits and regulatory approvals.

**\* Includes Forward-Looking Information**

**4.5 Stock exchange indices**

The Company's shares are listed for trading on the Tel Aviv Stock Exchange Ltd. As of the Report Approval Date, it is one of the companies on the Tel Aviv 35 Index. Additional stock exchange indices on which the Company's securities are listed include TA Cleantech, TA 125, TA 125 - Clean Climate, TA Industry, TA Sector - Balance, TA Global-Blue Tech, TA Tech-Elite, TA Technology, TA - 35 USD, TA Rimon, TA All-Share and TA - Energy Infrastructures.

**4.6 Specific disclosure regarding the effects of inflation on the Company**

For more information regarding the increase in the inflation rate and the trend of increasing interest rates, see Section 6.2 in Part A of the Report - Description of the Corporation's Business.

5. The Board of Directors' explanation of the Company's business situation, results of operations, shareholders' equity, cash flows and other matters

5

### 5.1 Statement of Financial Position

Presented below are the main items in the statement of financial position, in thousands of NIS:

	As of December 31 2023	As of December 31 2022
	NIS in thousands	
	(Audited)	(Audited)
<b>Assets</b>		
<b><u>Current assets</u></b>		
Cash and cash equivalents	567,667	465,119
Dedicated deposit	3,627	34,435
Restricted cash	624,588	-
Trade and other receivables	186,928	178,797
Green certificates	11,798	22,424
<b>Total current assets</b>	<b>1,394,608</b>	<b>700,775</b>
<b><u>Non-current assets</u></b>		
Long term pledged deposit and restricted cash	9,037	57,205
Right-of-use asset and fixed assets	529,847	403,949
Connected electricity generation systems	5,216,735	2,910,128
Systems under construction and development	2,370,899	1,813,125
Other receivables	87,026	140,114
Deferred tax assets, net	202,726	56,935
<b>Total non-current assets</b>	<b>8,416,270</b>	<b>5,381,456</b>
<b>Total assets</b>	<b>9,810,878</b>	<b>6,082,231</b>
<b>Liabilities and equity</b>		
<b><u>Current liabilities</u></b>		
Short term credit from financial institutions	854,259	-
Current maturities of long term loans	119,967	77,013
Current maturities of lease liabilities	28,696	16,235
Current maturities of bonds	74,871	74,871
Trade and other payables	750,399	306,513
Short term liability in respect of agreement with Tax Partner	220,676	80,032
<b>Total current liabilities</b>	<b>2,048,868</b>	<b>554,664</b>
<b><u>Non-current liabilities</u></b>		
Loans from financial institutions	2,864,220	1,267,162
Bonds and convertible bonds	979,852	1,044,267
Lease liability and other long-term liabilities	856,362	630,081
Long term liability in respect of agreement with Tax Partner and others	601,135	164,511
Deferred tax liability, net	89,287	91,258
<b>Total non-current liabilities</b>	<b>5,390,856</b>	<b>3,197,279</b>
<b><u>Equity</u></b>		
<b>Total equity attributable to the owners of the Company</b>	<b>2,369,967</b>	<b>2,328,630</b>
<b>Non-controlling interests</b>	<b>1,187</b>	<b>1,658</b>
<b>Total equity</b>	<b>2,371,154</b>	<b>2,330,288</b>
<b>Total liabilities and equity</b>	<b>9,810,878</b>	<b>6,082,231</b>

**Cash and cash equivalents** – As of the Report Date, these amounted to NIS 568 million, compared to NIS 465 million at end of 2022, an increase by NIS 103 million. The increase is primarily due to positive operating cash flow at the Company, amounting to NIS 506 million, long-term and short-term loans obtained from financial institutions, amounting to NIS 2.6 billion. The increase was offset by investment in project construction and development in the USA, Israel and Poland, amounting to NIS 2,279 million, partial redemption of bonds, long-term loans and hedging instruments, amounting to NIS 486 million, and dividends distributed to shareholders, amounting to NIS 252 million.

**Designated deposit** – As of the report date, this amounted to NIS 4 million, compared to NIS 34 million at end of 2022, a decrease by NIS 30 million. The decrease is due to Company compliance with conditions for use of designated cash, as stipulated in the Tax Partner investment in Virginia Projects 2.

**Restricted cash** – The short-term restricted cash balance is due to cash received from the Tax Partner in Virginia Projects 3 and in Adams, to be used for repayment of the construction loan obtained in the Reported Period. See also note 5.

**Trade receivables and other accounts receivable** – As of the Report Date, these amounted to NIS 187 million, compared to NIS 179 million at end of 2022, an increase by NIS 8 million. This is primarily due to increase in fair value of transactions for hedging of SOFR interest, contracted by the Company as part of project financing transactions in the USA, and to increase in accounts receivable with respect to option exercise by employees. This increase was partially offset by VAT refunds received with respect to construction operations in Israel and in Poland.

**Green certificates** - As of the Report Date, these amounted to NIS 12 million, as compared with NIS 22 million at end of 2022, a decrease by NIS 10 million. The decrease is due to decrease in price of non-hedged green certificates as of the Report Date, offset by current generation in the period.

**Connected electricity generation systems** – As of the report date, this balance amounted to NIS 5,217 million, compared to NIS 2,910 million at end of 2022, an increase by NIS 2,307 million. The increase is primarily due to the higher exchange rates for PLN (by 15%) and for USD (by 3%), and to commercial operation of a project in Poland and of projects in the USA (NIS 2.1 billion), offset by current depreciation amounting to NIS 130 million.

**Systems under construction and development** – As of the Report Date, the balance amounted to NIS 2,371 million, compared to NIS 1,813 million at end of 2022, an increase by NIS 558 million. The increase was due to investment in project construction and development in the USA (NIS 2 billion) and in Israel (NIS 503 million), offset by classification of a project in Poland and projects in the USA under Connected Systems. For more information see Note 10 in Part C of the Report – Financial Statements.

**Other accounts receivable** – As of the Report Date, the balance amounted to NIS 87 million, compared to NIS 140 million at the end of 2022, a decrease by NIS 53 million. This decrease was mostly due to decrease in value of CAP options for hedging of WIBOR interest in Poland, due to lowered interest rates over the year, and to change in value of financial instruments to hedge the PLN and USD exchange rates, due to devaluation of the NIS.

**Deferred tax assets, net** - As of the Report Date, the balance amounted to a total of NIS 203 million, as compared to NIS 57 million at end of 2022, an increase by NIS 146 million. The increase was mostly due to creation of deferred taxes in respect of construction and development income of the Company in the USA.

**Trade payables and other accounts payable** – As of the Report Date, the balance amounted to NIS 750 million, compared to NIS 307 million at end of 2022, an increase by NIS 443 million, mostly due to increase in liabilities to equipment suppliers and construction contractors in the UA, and to increase in provision for taxes in the USA with respect to development and construction income. For additional information, see Note 12 to the financial statements.

**Liability in respect of agreement with Tax Partner (short-term and long-term)** – As of the Report Date, the balance amounted to NIS 820 million, compared to NIS 244 million at end of 2022, an increase by NIS 576 million. The increase is primarily due to Tax Partner investment in Virginia Projects 3 and in Adams, offset by current repayments (mostly by way of tax credits) of liability to the Tax Partner with respect to Virginia Projects 1 and 2. For more information see Note 10b(2)(b) to the financial statements.

**Short-term borrowing from financial institutions** – As of the Report Date, the balance amounted to NIS 854 million. The increase is due to a short-term loan balance of NIS 192 million, and to a construction loan of NIS 662 million, obtained for project construction in the USA, expected to be repaid out of the Tax Partner investment.

**Loans from financial institutions and current maturities of loans** – As of the Report Date, the balance amounted to NIS 2,984 million, compared to NIS 1,344 million at end of 2022, **an increase by NIS 1,640 million.** The increase was primarily due to withdrawals from construction loans in respect of the construction projects in Virginia and Pennsylvania in the USA,, receipt of long-term loan for projects in operation in the USA, and receipt of loan for construction of high-voltage project in Israel and withdrawals from long-term loans in Poland, offset by current loan principal repayments.

**Bonds and convertible bonds** - As of the Report Date, the balance amounted to NIS 1,055 million, as compared with NIS 1,119 million at end of 2022, a decrease by NIS 64 million. The decrease was mostly due to the repayment of the principal of bonds (Series A). For more information, see Note 14d(7) to the Financial Statements.

**Other long-term liabilities** – As of the Report Date, the balance amounted to NIS 370 million, as compared with NIS 258 million at end of 2022, an increase by NIS 112 million. The increase was mostly due to increase in lease liabilities due to the construction of new projects in the United States and in Israel, and due to the recognition of a contingent consideration liability in respect of the transaction to acquire the minority stake in the USA Joint Venture, offset by decrease in value of liabilities with respect to financial instruments, due to lower electricity prices in the USA.

**Equity** – As of the Report Date, shareholder equity attributable to equity holders of the Company amounted to NIS 2,370 million, compared with NIS 2,329 million as of December 31, 2022. The change in equity was mostly due to profit attributed to the Company's owners amounting to NIS 258 million, increase in capital reserve from translation differences (including hedging of investment in foreign operations) and increase in capital reserve from cash flow hedging amounting to NIS 68 million, partly offset by a dividend payment amounting to NIS 252 million, and recognition of a contingent liability in respect of success fees in acquisition of all of the Tax Partner's interest in the USA Joint Venture.

## 5.2 Operating results

Below are operating results, with revenues attributed pro rata to unwinding of fixed price transactions recognized in the first quarter, by quarter in 2023:

	<i>For the twelve-month period ended December 31,</i>		<i>Q4</i>	<i>Q3</i>	<i>Q2</i>	<i>Q1</i>	<i>Q4</i>
	<i>2023</i>	<i>2022</i>	<i>2023</i>				<i>2022</i>
<i>NIS in thousands</i>							
	<i>(Audited)</i>		<i>(Unaudited)</i>				<i>(Audited)</i>
<b><u>Revenues</u></b>							
<i>Revenues from the sale of electricity</i>	454,316	446,326	112,437	107,101	110,873	123,905	157,902
<i>Revenues from the production of green certificates</i>	73,638	56,084	24,334	15,369	14,726	19,209	13,629
<i>Other revenues, including due to the unwinding of fixed price transactions in respect of the period</i>	153,952	24,915	44,589	34,139	35,182	40,042	23,853
<b><i>Total revenues</i></b>	<b>681,906</b>	<b>527,325</b>	<b>181,360</b>	<b>156,609</b>	<b>160,781</b>	<b>183,156</b>	<b>195,384</b>
<b><u>Expenses</u></b>							
<i>Operating expenses</i>	81,768	50,605	24,082	20,054	19,767	17,865	14,518
<i>Impairment of green certificates</i>	12,152	4,083	3,282	7,275	1,513	82	(2,556)
<i>Payroll, headquarters and other</i>	91,564	65,265	23,475	23,109	20,382	24,598	19,684
<i>Initiation expenses</i>	16,881	1,453	9,758	1,027	2,682	3,414	646
	202,365	121,406	60,597	51,465	44,344	45,959	32,292
<b><i>Profit before financing, taxes, depreciation and amortization (EBITDA)</i></b>	<b>479,541</b>	<b>405,919</b>	<b>120,764</b>	<b>105,144</b>	<b>116,436</b>	<b>137,197</b>	<b>163,092</b>
<i>Capital gains from sale of investee partnership</i>	-	18,098	-	-	-	-	-
<i>Depreciation and amortization</i>	(152,753)	(105,797)	(38,526)	(40,033)	(42,227)	(31,967)	(28,846)
<b><i>Profit before financing and taxes</i></b>	<b>326,788</b>	<b>318,220</b>	<b>82,238</b>	<b>65,111</b>	<b>74,209</b>	<b>105,230</b>	<b>134,246</b>
<i>Financing expenses, net</i>	(73,589)	(82,359)	(20,869)	(16,205)	(16,749)	(19,767)	(14,430)
<b><i>Profit after financing, net</i></b>	<b>253,199</b>	<b>235,861</b>	<b>61,369</b>	<b>48,907</b>	<b>57,460</b>	<b>85,463</b>	<b>119,816</b>
<b><i>Profit before taxes on income</i></b>	<b>253,199</b>	<b>235,861</b>	<b>61,369</b>	<b>48,907</b>	<b>57,460</b>	<b>85,463</b>	<b>119,816</b>
<i>Taxes on income</i>	(64,583)	(57,766)	(14,426)	(10,912)	(13,192)	(26,053)	(30,105)
<i>Tax income from the Tax Partner</i>	69,452	57,815	17,702	17,893	17,244	16,613	15,672
<b><i>Income for the period</i></b>	<b>258,068</b>	<b>235,910</b>	<b>64,645</b>	<b>55,887</b>	<b>61,512</b>	<b>76,023</b>	<b>105,383</b>
<b><i>Profit for the period attributable to the owners of the Company</i></b>	<b>258,257</b>	<b>236,690</b>	<b>64,400</b>	<b>55,886</b>	<b>61,647</b>	<b>76,323</b>	<b>105,585</b>
<i>Loss for the period attributable to non-controlling interests</i>	(189)	(780)	245	1	(135)	(300)	(202)
<b><i>Total profit for the period</i></b>	<b>258,068</b>	<b>235,910</b>	<b>64,645</b>	<b>55,887</b>	<b>61,512</b>	<b>76,023</b>	<b>105,383</b>

Below are the key operating results, NIS in thousands (including quarterly distribution in 2023):

	For the year ended December 31			Q4	Q3	Q2	Q1	Q4
	2023	2022	2021	2023				2022
	NIS in thousands			NIS in thousands				
	(Audited)			(Unaudited)				
<b>Revenues</b>								
Revenues from the sale of electricity	454,316	446,326	200,788	112,437	107,101	110,873	123,905	157,902
Revenues from the production of green certificates	73,638	56,084	60,049	24,334	15,369	14,726	19,209	13,629
Other revenues, net	153,952	24,915	5,789	(453)	858	117	153,430	23,853
	<u>681,906</u>	<u>527,325</u>	<u>266,626</u>	<u>136,318</u>	<u>123,328</u>	<u>125,716</u>	<u>296,544</u>	<u>195,384</u>
<b>Expenses</b>								
Operating expenses	93,920	54,688	38,973	27,364	27,329	21,280	17,947	11,962
Initiation expenses	16,881	1,453	381	9,757	1,027	2,683	3,414	646
Payroll, headquarters and other	91,564	65,265	40,534	23,475	23,109	20,382	24,598	19,684
	<u>202,365</u>	<u>121,406</u>	<u>79,888</u>	<u>60,596</u>	<u>51,465</u>	<u>44,345</u>	<u>45,959</u>	<u>32,292</u>
<b>Profit before financing, taxes, depreciation and amortization (EBITDA)</b>	479,541	405,919	186,738	75,722	71,863	81,371	250,585	163,092
Capital gains from sale of investee partnership	-	18,098	12,363	-	-	-	-	-
Depreciation and amortization	<u>(152,753)</u>	<u>(105,797)</u>	<u>(81,249)</u>	<u>(38,526)</u>	<u>(40,033)</u>	<u>(42,227)</u>	<u>(31,967)</u>	<u>(28,846)</u>
<b>Profit before financing and taxes</b>	<u>326,788</u>	<u>318,220</u>	<u>117,852</u>	<u>37,196</u>	<u>31,830</u>	<u>39,144</u>	<u>218,618</u>	<u>134,246</u>
Financing expenses, net	<u>(73,589)</u>	<u>(82,359)</u>	<u>(47,605)</u>	<u>(20,869)</u>	<u>(16,204)</u>	<u>(16,749)</u>	<u>(19,767)</u>	<u>(14,430)</u>
<b>Profit before taxes on income</b>	253,199	235,861	71,567	16,327	15,626	22,395	198,851	119,816
Taxes on income	(64,583)	(57,766)	(23,188)	(5,868)	(4,589)	(6,507)	(47,619)	(30,105)
Tax income from the Tax Partner	69,452	57,815	30,825	17,702	17,893	17,244	16,613	15,672
<b>Income for the period</b>	<u>258,068</u>	<u>235,910</u>	<u>79,204</u>	<u>28,161</u>	<u>28,930</u>	<u>33,132</u>	<u>167,845</u>	<u>105,383</u>
Income for the period attributable to the owners of the Company	258,257	236,690	79,319	28,247	28,599	33,266	168,145	105,585
Profit (loss) for the year attributable to non-controlling interests	<u>(189)</u>	<u>(780)</u>	<u>(115)</u>	<u>(86)</u>	<u>331</u>	<u>(134)</u>	<u>(300)</u>	<u>(202)</u>
<b>Total income for the period</b>	<u>258,068</u>	<u>235,910</u>	<u>79,204</u>	<u>28,161</u>	<u>28,930</u>	<u>33,132</u>	<u>167,845</u>	<u>105,383</u>

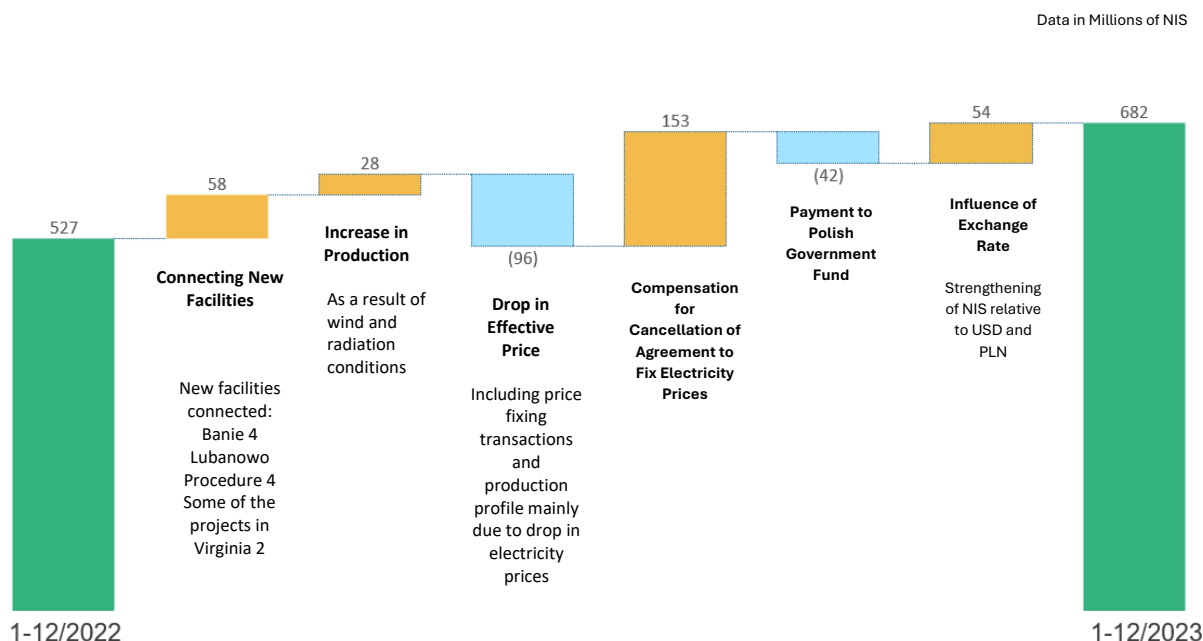
### 5.3 Additional data

	<b>For the year ended December 31</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b><u>Data regarding earnings per share (*)</u></b>			
Income per share	1.24	1.00	0.55
Profit before financing, taxes, depreciation and amortization (EBITDA)	0.87	0.77	0.38
FFO per share	0.66	0.58	0.26
Earnings per share - basic	0.47	0.25	0.16

### 5.4 Key explanations for operating results

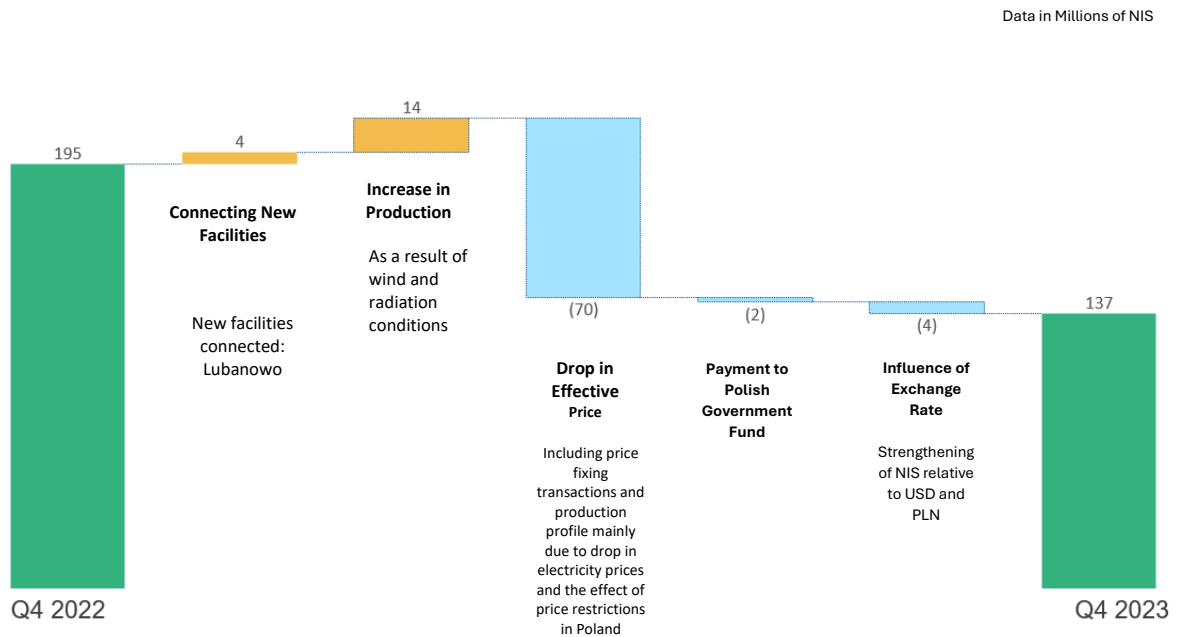
**Company revenues** from sale of electricity, from production of green certificates, and from other revenues in the Reported Period amounted to NIS 682 million, as compared with NIS 527 million in the corresponding period last year, an increase by NIS 155 million.

Presented below is a diagram specifying the main changes in revenue during the Reported Period, relative to the corresponding period last year:



In the fourth quarter of 2023 (hereinafter: the "Fourth Quarter"), Company revenues from sale of electricity, from production of green certificates, and from other revenues amounted to NIS 136 million, excluding part of the other revenues attributed to the Fourth Quarter, as compared with NIS 195 million in the corresponding quarter last year.

Presented below is a diagram specifying the main changes in revenue during the fourth quarter, relative to the corresponding quarter last year:



**Operating expenses** - Operating expenses during the Reported Period amounted to NIS 94 million, as compared with NIS 55 million in the corresponding period last year, an increase by NIS 39 million.

The increase was mostly due to recording of operating expenses from projects in Poland yet to be in commercial operation in the corresponding period, and to impairment amounting to NIS 12 million of non-hedged green certificates as of the Report Date.

Operating expenses in the Fourth Quarter amounted to NIS 27 million, as compared with NIS 12 million in the corresponding quarter last year, an increase by NIS 15 million.

**Payroll, headquarters and other expenses** - Payroll, headquarters and other expenses during the Report Period amounted to NIS 91.5 million, as compared with NIS 65 million in the corresponding period last year, an increase by NIS 26.5 million.

Payroll, headquarters and other expenses in the Fourth Quarter amounted to NIS 23.5 million, as compared with NIS 19.5 million in the corresponding quarter last year, an increase by NIS 4 million.

The increase in payroll and headquarters expenses was due to the growth of the Group's workforce, in light of the increase in the scopes of activity, the increase in professional consulting costs, and the increase in share-based payment expenses.

**Development expenses** – In the Reported Period, these amounted to NIS 17 million, compared to NIS 1.5 million in the corresponding period last year, an increase by NIS 15.5 million. The increase was due to write-down of projects under development that did not materialize, according to Company assessment, and to expenses with respect to development of the clean wind energy project.

**Depreciation and amortization** - Depreciation expenses during the Reported Period amounted to NIS 153 million, as compared with NIS 106 million in the corresponding period last year.

Depreciation expenses in the Fourth Quarter amounted to NIS 39 million, compared to NIS 29 million in the corresponding period last year.

The increase was mostly due to the recording of depreciation expenses from projects which had not yet become in commercial operation in the corresponding periods last year.

**Net financing expenses** – Net financing expenses in the Reported Period amounted to NIS 74 million, as compared with NIS 82 million in the corresponding period last year. The decrease of NIS 9 million.

The decrease in net financing expenses was mostly due to financing income from deposits and to non-effective hedging in the Reported Period, and to impact of the CPI increase in Israel by 3.34%, compared to the CPI increase by 5.3% in the corresponding period. This increase was partially offset by additional financing expenses with respect to withdrawals from long-term financing facilities in the USA, Poland and Israel, and with respect to short-term loans in Israel.

Net financing expenses in the Fourth Quarter amounted to NIS 21 million, as compared with NIS 14 million in the corresponding quarter. Increase by NIS 6 million, mostly due to additional withdrawals from long-term financing facilities in the USA, Poland and Israel, to withdrawals of short-term loans in Israel and to effect of the CPI increase in Israel in the fourth quarter of 2023 by 0.1%, as compared with the CPI increase by 0.8% in the corresponding quarter.

Regarding the impact of the CPI's increase on the Company's results - It is hereby clarified that the projects which are subject to the CPI-linked loans in Israel are at fixed tariffs and are CPI-linked (natural hedging); however, in accordance with accounting principles, the "revaluation" of the future cash flows from the project is not recognized in the Financial Statements, while the linkage of the loan principal is carried immediately against financing expenses.

**Taxes on income** – During the Reported Period, the Company recognized tax expenses amounting to NIS 64 million, as compared with NIS 57.7 million in the corresponding period last year. Increase by NIS 6.3 million.

Tax on income expenses in the Fourth Quarter amounted to NIS 5.8 million, as compared with NIS 30 million in the corresponding quarter last year, an increase by NIS 24 million.

**Tax revenues from Tax Partner** – Revenues from the Tax Partner during the Reported Period amounted to NIS 69 million, as compared with NIS 58 million in the corresponding period last year. Tax revenues from the Tax Partner in the Fourth Quarter amounted to NIS 17.7 million, compared to NIS 15.7 million in the corresponding period last year.

The increase in the Reported Period and in the fourth quarter, relative to the corresponding periods last year, was due to the commercial operation of projects in the USA.

**Net profit attributable to equity holders** – During the Reported Period, the Company recognized net profit attributable to equity holders in the amount of NIS 258 million, as compared with NIS 237 million in the corresponding period of last year, an increase by NIS 21 million.

Net profit attributable to equity holders in the Fourth Quarter amounted to NIS 28 million, as compared with NIS 105.5 million in the corresponding period last year, a decrease by NIS 77.5 million.

### **5.5 Cash flow, liquidity and financing sources**

- **Cash flow**

During the Reported Period, Group cash and cash equivalents decreased by NIS 103 million. This was mostly due to the acceptance of loans and cash inflows from operating activities which arose for the Company, which were offset by investments in project construction and initiation, partial repayments of bonds and long term loans, repayment of financial instruments, and a dividend distributed to Company shareholders.

The following table summarizes the sources and uses:

	For the year ended December 31		
	2023	2022	2021
	NIS millions (Audited)		
Operating activities	506	285	103
<b>Sources</b>			
Long term loan received from financial institutions	1,686	250	465
Receipt of short term loans from banking corporations	926	-	-
Repayment of loan from third party	-	14	-
Decrease in pledged deposit and restricted cash	49	-	-
Issuance of bonds and convertible bonds	-	-	313
Consideration from issuance of shares	-	674	-
Receipt of loan from Tax Partner	663	-	178
Consideration from exercise of share options	1	29	10
Settlement of financial instruments	-	18	47
Consideration from sale of associate partnership	-	25	-
Consideration from sale of consolidated partnership	-	-	6
	<u>2,662</u>	<u>1,010</u>	<u>1,019</u>
<b>Uses</b>			
Investment in electricity generation systems	(2,279)	(1,131)	(1,195)
Provision of loan	-	-	(13)
Decrease (increase) in pledged deposit and restricted cash, net	(625)	(9)	(6)
Settlement of financial instruments	(233)	-	-
Repayment of long term loans from financial institutions	(180)	(75)	(52)
Repayment of principal in respect of lease liability	(20)	(12)	(8)
Repayment of bond principal	(74)	(74)	-
Credit raising costs	(64)	(14)	(13)
Bond raising costs	-	-	(2)
Investment in other fixed assets	(11)	(4)	(6)
Acquisition of subsidiary	-	-	(77)
Transaction with non-controlling interests	(24)	(3)	(10)
Repayment of short term loans from banking corporations	-	-	-
Dividend paid to Company shareholders	(252)	(107)	(88)
	<u>(3,773)</u>	<u>(1,429)</u>	<u>(1,470)</u>
<b>Total surplus of sources over uses</b>	<b>(605)</b>	<b>(134)</b>	<b>(348)</b>
Balance of cash and cash equivalents at beginning of period	465	575	962
Balance of dedicated deposit at beginning of period	34	30	-
Effect of exchange rate fluctuations on cash and cash equivalents	17	28	(10)
Balance of cash and cash equivalents at end of period	<u>568</u>	<u>465</u>	<u>575</u>
Balance of dedicated deposit at end of period	<u>4</u>	<u>34</u>	<u>30</u>

- **Cash, cash equivalents and credit facilities**

As of the Report Date, the Company cash and cash equivalents amounted to NIS 567 million, as compared with NIS 465 million as of December 31, 2022. The Company also has an additional NIS 9

million, mostly consisting of debt service reserve funds to secure the Group loan repayment, and a designated deposit amounting to NIS 3 million, the use of which is restricted until the Company meets the conditions stipulated in the agreement with the Tax Partner in Virginia Projects 2, as well as restricted cash amounting to NIS 624 million, received from the Tax Partner in Virginia Projects 3 and in Adams, to be used for repayment of the construction loan obtained in the Reported Period.

- **Financing sources**

- 5.5.1** As of the Report Approval Date, the Company's activity is financed by the cash flows which arise for it from in commercial operation projects, its available cash balances, the exercise of share options and withdrawals that were made in the framework of project finance transactions to which the Company is party.
- 5.5.2** Management of debt structure - The Company is working to maintain an efficient and adequate leverage ratio which takes into account the interests of both the financial creditors and the Company's shareholders. The Company also strives to create an adequate balance between unsecured debt raisings on the level of the Company, the raising of non-recourse project loans on the level of the project companies, and maintaining bank credit facilities which are available for use at all times.
- 5.5.3** The Company's gross financial debt as of the Report Date amounted to NIS 4 billion. The overall debt duration is 7.4 years.
- 5.5.4** As of the Report Date, the Company had un-utilized credit facilities amounting to NIS 20 million (of which NIS 14 million in facility for guarantees from a bank in the USA).
- 5.5.5** For more information about project financing facilities available to the Company as of the Report Approval Date, see below:

<u>Country</u>	<u>Project addressed in the financing</u>	<u>Status</u>	<u>Estimated total</u>	<u>See Note</u>
Israel	Systems in competitive proceedings 3 and 4	Signed	Up to NIS 350 million (of which, NIS 344 million has been used)	7b to the Financial Statements
Israel	Clean wind energy	Signed	Up to NIS 650 million (of which, NIS 18 million has been used)	7d to the Financial Statements
Israel	Julis ultra-high voltage project	Signed	Up to NIS 255 million (of which, NIS 164 million has been utilized)	7a to the Financial Statements
Israel	Photo-voltaic projects including storage capabilities (96MWp+358MWh)	Signed	Up to NIS 480 million (of which, NIS 143 million available immediately for withdrawal)	7a to the Financial Statements
USA	Projects in operation in Virginia and in Pennsylvania (412MWp)	Signed	Up to USD 510 million for the construction period (of which, UD 442 million has been utilized)	7c to the Financial Statements
USA	Projects in operation in Virginia (224MWp)	Signed	Up to USD 70 million (of which USD 65 million has been used)	7c to the Financial Statements

- 5.5.6** Note that projects Banie 1+2 and Ilawa in Poland do not involve project finance as of the Report Date and as of the Report Approval Date.

- 5.5.7 The Company has a shelf prospectus which allows the Company to raise funds from the public, insofar as funds may be required in order to finance its operations, which is in effect until May 2024.
- 5.5.8 For more information regarding the Company's financing sources, including loans, bonds and capital raising, see Note 14 in Part C of the Report - Financial Statements, and Appendix E below.

- **Pledged assets**

For more information regarding liens and guarantees furnished by the Company as of the Report Date and the date of approval of the Financial Statements, see Note 30 in Part C of the Report - Financial Statements.

- **Reference to warning signs**

Pursuant to Regulation 10(B)(14) of the Periodic and Immediate Report Regulations, the Company has a working capital shortfall during the twelve-month period on the consolidated and separate financial statements. The Company's Board of Directors has determined that these do not indicate a liquidity problem, in consideration of, inter alia, the Company's cash balances, withdrawable cash balances in commercially active projects, unused credit facilities, and withdrawable project finance facilities under negotiation, as compared with the Company's current expenses and cash requirements.

## **Part B - Exposure to Market Risks and Management Thereof**

The Company's Chief Risk Officer is Mr. Asa Levinger, the Company's CEO. For more information regarding the Chief Risk Officer, see Regulation 26 in Part D of the Report - Additional Details.

- 5.6 **Description of market risks to which the corporation is exposed:** For details regarding the exposures to changes in the index, exchange rates, interest rates, tariff per KWh in connection with electricity which is sold to the Israel Electric Corporation, and changes in the prices of electricity and green certificates in Poland, see Section 32. of Part A of this report – Description of Corporate Affairs, and Section 31 in Part C of this report – Financial Statements.

5.7 **The Company's policy for managing market risks**

**The Company's risk management focuses on actions to reduce to a minimum the possible exposures affecting the Company's financial soundness (including equity) and financial performance. Risk management is mostly performed by the Company's CEO and CFO, as an integral part of the Company's operating activities. As part of the overall risk management of the Company, the Company's Board of Directors has determined that the CEO of the Company will regularly report to the Chairman of the Board of Directors on the existing level of exposure.**

In the event of extraordinary developments in the currency and interest markets, they review the data and occasionally the modes of operation in the derivatives market is reviewed in order to hedge interest rate and foreign currency risks. On all matters pertaining to the Company's exposure to foreign currency, the Company's Board of Directors has adopted a management policy for managing foreign currency exposures, according to which the Company's exposure to a single currency may not exceed 20% of the Company's total equity. In respect of other exposures, no quantitative restrictions were established, and the Company's Board of Directors receives a quarterly report from Company management regarding the developments in this segment, if any.

For more information regarding the implementation of the market risk management policy which was adopted by the Board of Directors, see Note 31b in Part C of the Report - Financial Statements.

**5.8 Linkage bases report**

See **Appendix A** below for a linkage bases report as of December 31, 2023 and December 31, 2022.

**5.9 Sensitivity tests**

See **Appendix B** below for sensitivity tables for sensitive instruments according to changes in market factors as of December 31, 2023.

**5.10 The Corporation's liabilities by maturity**

For information about Company liabilities by maturity, see immediate report regarding liabilities, issued concurrently with this report, included herein by way of reference.

## Part C – Corporate Governance Aspects and Updates Concerning Company Operations

### 6. Board members having accounting and financial expertise; Independent Board members

As of the Report Approval Date, the Company's Board of Directors includes seven directors, of whom two are outside directors, as well as two independent directors, as this term is defined in the Companies Law (in total, four independent directors). The Company has chosen not to adopt, in its articles of association, a provision regarding the number of independent directors. Seven Board members have accounting and financial expertise, whereas the minimum is two, as determined by the Company Board of Directors pursuant to Section 92(a)(12) of the Corporate Act, considering the Company type, size and the scope and complexity of its operations.

For more information regarding the Board members, see Regulation 26 in Part D of the Report - Additional Details.

### 7. The Company's Internal Auditor- For details regarding the Company's Internal Auditor, see Appendix C.

### 8. The Company's Independent Auditor

The Company's Independent Auditor is Brightman Almagor Zohar & Co. (Deloitte Israel).

Presented below is information regarding the salary paid for audit services, and for services associated with audit and tax services, in 2022 and 2023:

Services	2023		2022		
	Audit and tax services	Other services	Audit and tax services	Other services	
<b>Brightman Almagor Zohar &amp; Co. (Deloitte) Israel</b>					
Professional fees, thousands	NIS in	850	95	700	202.5
<b>Deloitte Poland</b>					
Professional fees, thousands	EUR in	100	-	91	-
<b>Deloitte USA</b>					
Professional fees, thousands	USD in	285	-	150	-

At a meeting held on May 7, 2023, the Financial Statements Review Committee approved the Independent Auditor's fees for 2022-2023. Further to that, at a meeting held on December 20, 2023, the Company's Audit Committee was satisfied that the Independent Auditor's scope of work and fees were appropriate for conducting a proper audit and review of the financial statements in the Reported Period.

### 9. Administrative enforcement plan

On May 15, 2014, the Company adopted an internal enforcement program in respect of securities, in accordance with the criteria for effective enforcement programs which were published by the Israel Securities Authority on August 15, 2011. The Company updates the administrative enforcement plan, as needed.

### 10. Charitable donations

The Company has adopted policy on charitable donations, adjusted for its core business operations and the values by which the Company operates: society-environment-community (Triple Win methodology), in order to bring about significant change that can be assessed and measured, and to ensure that activity in the community is alongside the Company's business operations. The Company's annual budget for charitable donations is set at a percentage of its current pre-tax income. In the Reported Period, charitable donations by the Company amounted to NIS 2,066 thousand. In 2024, charitable donations are expected to reach NIS 4.1 million.

To the best of the Company's knowledge, and according to an evaluation which it conducted, there are no ties between entities which received total donations in 2023 in an amount exceeding NIS 50 thousand, and the Company, or its CEO, or any of its directors, controlling shareholders, or any of their relatives.

### 11. Additional Information and Events Subsequent to the Report Date

For information regarding events subsequent to the date of the report, see Sections 2.4 and 3.1 above, as well as Notes 19, 14, 16, 25, 26 and 32 in Part C of the Report - Financial Statements.

**The Company's Board of Directors wishes to thank holders of Company securities, for their confidence placed in the Company.**

**March 5, 2024**

**Signing Date of the  
Annual Financial  
Statements**

**Nathan Hetz  
– Chairman of the  
Board**

**Asa Levinger  
– CEO**

### *Appendices to the Board of Directors' Report concerning the state of the Company's affairs:*

- Appendix A** – Linkage Bases Report for Monetary Balances.
- Appendix B** – Sensitivity Tables for Sensitive Instruments as of December 31, 2023, According to Changes in Market Factors.
- Appendix C** – Information Regarding the Internal Auditor
- Appendix D** – Details Regarding Obligatory Notes Issued by the Company
- Appendix E** – Rating Reports

### Appendix A – Linkage Bases Report for Monetary Balances

As of December 31, 2023

	EUR	PLN	USD	Unlinked NIS	CPI-linked NIS	Non- financial assets (liabilities)	Total
NIS in thousands							
<b><u>Current assets</u></b>							
Cash and cash equivalents	4,357	90,915	394,904	77,491	-	-	567,667
Dedicated deposit	-	-	3,627	-	-	-	3,627
Trade receivables	-	60,805	3,885	13,777	-	-	78,467
Green certificates	-	-	419	-	-	11,379	11,798
Receivables and debit balances	-	10,111	5,878	10,072	-	43,092	69,153
Hedging financial instruments	-	20,167	19,141	-	-	-	39,308
	<u>4,357</u>	<u>181,998</u>	<u>1,052,442</u>	<u>101,340</u>	<u>-</u>	<u>54,471</u>	<u>1,394,608</u>
<b><u>Non-current assets</u></b>							
Long term restricted cash	-	122	-	8,915	-	-	9,037
Right-of-use asset	-	-	-	-	-	511,443	511,443
Connected electricity generation systems	-	-	-	-	-	5,216,735	5,216,735
Systems under construction and inventory	-	-	-	-	-	2,370,899	2,370,899
Fixed assets	-	-	-	-	-	18,404	18,404
Other receivables	-	48	4,428	1,261	8,759	26,982	41,478
Hedging financial instruments	-	45,017	531	-	-	-	45,548
Deferred taxes, net	-	-	-	-	-	202,726	202,726
	<u>-</u>	<u>45,187</u>	<u>4,959</u>	<u>10,176</u>	<u>8,759</u>	<u>8,347,189</u>	<u>8,416,270</u>
<b>Total assets</b>	<b><u>4,357</u></b>	<b><u>227,185</u></b>	<b><u>1,057,401</u></b>	<b><u>111,516</u></b>	<b><u>8,759</u></b>	<b><u>8,401,660</u></b>	<b><u>9,810,878</u></b>
<b><u>Current liabilities</u></b>							
Short term credit from financial institutions	-	-	661,848	192,411	-	-	854,259
Current maturities of long term loans	-	33,386	19,509	-	67,072	-	119,967
Current maturities of lease liabilities	-	13,077	13,555	-	8,240	-	34,872
Trade payables, other payables	7,750	66,148	424,383	42,920	386	101,760	643,347
Short term liability in respect of agreement with Tax Partner	-	-	-	-	-	220,676	220,676
Bonds - current maturity	-	-	-	74,871	-	-	74,871
Hedging financial instruments	-	61,518	39,359	-	-	-	100,877
	<u>7,750</u>	<u>174,129</u>	<u>1,158,654</u>	<u>310,202</u>	<u>75,698</u>	<u>322,436</u>	<u>2,048,869</u>
<b><u>Non-current liabilities</u></b>							
Liabilities for employee severance benefits	-	-	-	-	-	1,404	1,404
Loans from financial institutions	-	688,661	1,154,588	-	1,080,448	(59,477)	2,864,220
Bonds	-	-	-	449,987	-	(3,634)	446,353
Convertible bonds	-	-	-	536,280	-	(2,781)	533,499
Long term liability in respect of agreement with Tax Partner	-	-	36,665	-	-	563,066	599,731
Lease liability	-	128,324	173,499	-	184,452	-	486,275
Other long term liabilities	-	-	82,192	7,277	-	135,594	225,063
Hedging financial instruments	-	6,346	138,678	-	-	-	145,025
Deferred taxes	-	-	-	-	-	89,287	89,287
	<u>-</u>	<u>823,331</u>	<u>1,585,622</u>	<u>993,544</u>	<u>1,264,900</u>	<u>723,459</u>	<u>5,390,857</u>
<b>Total liabilities</b>	<b><u>7,750</u></b>	<b><u>997,460</u></b>	<b><u>2,744,276</u></b>	<b><u>1,303,746</u></b>	<b><u>1,340,598</u></b>	<b><u>1,045,895</u></b>	<b><u>7,439,726</u></b>
<b>Total surplus of assets over liabilities</b>	<b><u>(3,393)</u></b>	<b><u>(770,275)</u></b>	<b><u>(1,686,875)</u></b>	<b><u>(1,192,230)</u></b>	<b><u>(1,331,839)</u></b>	<b><u>7,355,764</u></b>	<b><u>2,371,153</u></b>
<b>Financial derivatives</b>							
<b>Surplus of financial assets over financial liabilities (financial liabilities over financial assets)</b>	<b><u>(3,393)</u></b>	<b><u>(1,672,190)</u></b>	<b><u>(2,982,198)</u></b>	<b><u>1,005,008</u></b>	<b><u>(1,331,839)</u></b>	<b><u>7,355,764</u></b>	<b><u>2,371,153</u></b>
<b>Distribution of non-monetary assets (liabilities), net - by linkage bases</b>							
<b>Surplus of assets over liabilities (liabilities over assets)</b>	<b><u>(3,393)</u></b>	<b><u>6,981</u></b>	<b><u>215,682</u></b>	<b><u>3,302,075</u></b>	<b><u>(1,150,193)</u></b>	<b><u>-</u></b>	<b><u>2,371,153</u></b>

**December 31, 2022**

	EUR	PLN	USD	Unlinked NIS	CPI-linked NIS	Non- financial assets (liabilities)	Total
	NIS in thousands						
<b>Current assets</b>							
Cash and cash equivalents	1,826	219,805	43,086	200,402	-	-	465,119
Dedicated deposit	-	-	34,435	-	-	-	34,435
Trade receivables	-	54,601	5,519	29,800	-	-	89,920
Green certificates	-	-	-	-	-	22,424	22,424
Receivables and debit balances	-	24,874	23,135	1,834	-	20,500	70,343
Hedging financial instruments	-	18,534	-	-	-	-	18,534
	<b>1,826</b>	<b>317,814</b>	<b>106,175</b>	<b>232,036</b>	<b>-</b>	<b>42,924</b>	<b>700,775</b>
<b>Non-current assets</b>							
Long term restricted cash	-	106	3,167	53,932	-	-	57,205
Right-of-use asset	-	-	-	-	-	390,987	390,987
Connected electricity generation systems	-	-	-	-	-	2,910,128	2,910,128
Systems under construction and inventory	-	-	-	-	-	1,813,125	1,813,125
Fixed assets	-	-	-	-	-	12,962	12,962
Other receivables	-	-	-	42	7,757	20,303	28,102
Hedging financial instruments	-	112,012	-	-	-	-	112,012
Deferred taxes, net	-	-	-	-	-	56,935	56,935
	<b>-</b>	<b>112,118</b>	<b>3,167</b>	<b>53,974</b>	<b>7,757</b>	<b>5,204,440</b>	<b>5,381,456</b>
<b>Total assets</b>	<b>1,826</b>	<b>429,932</b>	<b>109,342</b>	<b>286,010</b>	<b>7,757</b>	<b>5,247,364</b>	<b>6,082,231</b>
<b>Current liabilities</b>							
Current maturities of long term loans	-	13,267	-	-	63,746	-	77,013
Current maturities of lease liabilities	-	4,785	5,267	-	6,183	-	16,235
Trade payables, other payables	7,629	50,200	62,145	33,036	-	17,668	170,678
Short term liability in respect of agreement with Tax Partner	-	-	14,621	-	-	65,411	80,032
Bonds - current maturity	-	-	-	74,871	-	-	74,871
Hedging financial instruments	-	44,219	91,616	-	-	-	135,835
	<b>7,629</b>	<b>112,471</b>	<b>173,649</b>	<b>107,907</b>	<b>69,929</b>	<b>83,079</b>	<b>554,664</b>
<b>Non-current liabilities</b>							
Liabilities for employee severance benefits	-	-	-	-	-	772	772
Loans from financial institutions	-	361,084	-	-	918,487	(12,409)	1,267,162
Other long term liabilities	-	-	360	7,036	-	61,662	69,058
Bonds	-	-	-	524,480	-	(4,192)	520,288
Convertible bonds	-	-	-	527,535	-	(3,556)	523,979
Long term liability in respect of agreement with Tax Partner	-	-	35,573	-	-	128,166	163,739
Lease liability	-	116,366	92,582	-	163,363	-	372,311
Hedging financial instruments	-	7,510	181,202	-	-	-	188,712
Deferred taxes	-	-	-	-	-	91,258	91,258
	<b>-</b>	<b>484,960</b>	<b>309,717</b>	<b>1,059,051</b>	<b>1,081,850</b>	<b>261,701</b>	<b>3,197,279</b>
<b>Total liabilities</b>	<b>7,629</b>	<b>597,432</b>	<b>483,366</b>	<b>1,166,958</b>	<b>1,151,779</b>	<b>344,780</b>	<b>3,751,943</b>
<b>Total surplus of assets over liabilities</b>	<b>(5,803)</b>	<b>(167,500)</b>	<b>(374,024)</b>	<b>(880,948)</b>	<b>(1,144,022)</b>	<b>4,902,584</b>	<b>2,330,288</b>
<b>Financial derivatives</b>	<b>-</b>	<b>(857,540)</b>	<b>(1,244,553)</b>	<b>2,102,093</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Surplus of financial assets over financial liabilities (financial liabilities over financial assets)</b>	<b>(5,803)</b>	<b>(1,025,041)</b>	<b>(1,618,577)</b>	<b>1,221,122</b>	<b>(1,144,022)</b>	<b>4,902,585</b>	<b>2,330,264</b>
<b>Distribution of non-monetary assets (liabilities), net - by linkage bases</b>	<b>-</b>	<b>1,482,125</b>	<b>1,530,313</b>	<b>1,727,518</b>	<b>162,629</b>	<b>(4,902,585)</b>	<b>-</b>
<b>Surplus of assets over liabilities (liabilities over assets)</b>	<b>(5,803)</b>	<b>(2,507,166)</b>	<b>(3,148,890)</b>	<b>(506,396)</b>	<b>(1,306,651)</b>	<b>9,805,170</b>	<b>2,330,264</b>

**Appendix B – Sensitivity Tables for Sensitive Instruments as of December 31, 2023, According to Changes in Market Factors**

**Sensitivity analysis of foreign currency:**

The table presented below details the effect of a 10% change in the exchange rate on profit and loss in respect of financial assets and liabilities that are exposed to risk as aforesaid (before the tax effect):

	<b>As of December 31, 2023</b>		
	<b>Increase by 10% Profit and loss / comprehensive income</b>	<b>Carrying value</b>	<b>Decrease by 10% Profit and loss / comprehensive income</b>
	<b>NIS in thousands</b>		
<b>In EUR:</b>			
Cash and cash equivalents	436	4,357	(436)
Trade payables, other payables and credit balances	(775)	(7,750)	775
<b>In PLN:</b>			
Cash and cash equivalents	9,092	90,915	(9,092)
Trade receivables, other receivables and debit balances	7,092	70,916	(7,092)
Long term pledged deposit and restricted cash	12	122	(12)
Hedging financial instruments - forward transaction	(67,363)	(62,028)	67,363
Cap option	6,363	63,145	(6,363)
Hedging financial instruments - CCS	(20,065)	(3,795)	20,303
Other long term receivables	5	48	(5)
Short term and long term loans from financial institutions	(72,205)	(722,047)	72,205
Trade payables, other payables and credit balances	(6,615)	(66,148)	6,615
<b>In USD:</b>			
Cash and cash equivalents	39,490	394,904	(39,490)
Trade receivables	389	3,885	(389)
Green certificates	42	419	(42)
Inventory of assets under construction – contracted assets	62,459	624,588	(62,459)
Dedicated deposit and long term restricted cash	363	3,627	(363)
Receivables and debit balances	588	5,878	(588)
Interest hedging transactions – IRS	331	3,315	(331)
Trade payables, other payables and credit balances	(42,438)	(424,383)	42,438
Liability in respect of agreement with Tax Partner	(3,667)	(36,665)	3,667
Short term loan from financial institutions	(66,185)	(661,848)	66,185
Current maturities of long term loans	(1,951)	(19,509)	1,951
Other long term receivables	443	4,428	(443)
Hedging financial instruments - forward transaction	(105,672)	(16,593)	105,672
Other long term liabilities	(8,219)	(82,192)	8,219
Financial derivatives - Hedging of electricity prices in the USA (SWAP)	(11,628)	(116,283)	11,628
Hedging financial instruments - CCS	(20,136)	(28,805)	20,137
Long term loans	(115,459)	(1,154,588)	115,459

**Presented below is an analysis of the Group's sensitivity to financial derivatives:**

The following table presents the impact of the addition or subtraction of 10% in the relevant electricity prices in the USA on comprehensive income in respect of derivative financial instruments which are exposed to the risk of electricity prices in the USA (before tax effect):

	<b>As of December 31, 2023</b>		
	<b>Changes to electricity prices in the USA</b>		
	<b>Increase by 10%</b>	<b>Carrying value</b>	<b>Decrease by 10%</b>
	<b>Comprehensive income</b>		<b>Comprehensive income</b>
<b>NIS in thousands</b>			
Financial derivatives - Hedging of electricity prices in the USA (SWAP)	(43,586)	(116,283)	43,777

**Presented below is an analysis of the Group's sensitivity to the Consumer Price Index (CPI):**

	<b>As of December 31, 2023</b>		
	<b>Increase by 3%</b>	<b>Carrying value</b>	<b>Decrease by 3%</b>
	<b>Profit and loss</b>		<b>Profit and loss</b>
	<b>NIS in thousands</b>		
Loans from financial institutions	(33,121)	1,147,520	28,967

**Presented below is an analysis of the Group's sensitivity to changes in the interest rate:**

Until December 2019, the repayment date of the Company's project finance in Poland (see Note 14d(3)), the Company was exposed to changes in the loan's interest rate, which was taken at variable interest. The Company's other financing sources bear fixed interest (some linked to the consumer price index). The repayment of the loan in Poland does not involve cash flow risk for the Company due to interest rate changes. The following table presents sensitivity tests to the value of the fixed rate loans according to changes in the interest rate (in NIS in thousands):

	<b>As of December 31, 2023</b>				
	<b>Increase by 10%</b>	<b>Increase by 5%</b>	<b>Decrease by 5%</b>	<b>Decrease by 10%</b>	
	<b>Loss from changes (before tax effect)</b>	<b>Fair value</b>	<b>Gain from changes (before tax effect)</b>		
	<b>NIS in thousands</b>				
<b>Sensitive instruments</b>					
<b>Fixed rate instruments</b>					
CPI-linked loans in NIS	24,798	12,534	1,039,368	(12,812)	(25,909)
Loans in PLN	11,166	5,677	720,639	(5,874)	(11,952)
<b>Total</b>	<b>35,964</b>	<b>18,211</b>	<b>1,760,007</b>	<b>(18,686)</b>	<b>(37,861)</b>

### Appendix C – Information Regarding the Internal Auditor

ITEM	DETAILS
<b>NAME</b>	Israel Gvirtz, qualified Internal Auditor, partner in the firm Fahn Kanne Control Management Ltd., BA in accounting and economics from Bar-Ilan University, CPA, CIA.
<b>COMMENCEMENT OF TENURE</b>	July 5, 2016
<b>COMPLIANCE WITH THE PROVISIONS OF THE LAW</b>	To the best of the Company's knowledge, the Auditor complies with the provisions of Section 146(B) of the Companies Law - 1999 and of Sections 3(A) and 8 of the Internal Audit Law - 1992.
<b>HOLDINGS IN THE SECURITIES OF THE COMPANY OR OF A RELATED ENTITY</b>	To the best of the Company's knowledge, as of the date of this report, the Internal Auditor does not hold any securities of the Company, or of a controlling shareholder in the Company, an entity controlled by the Company or by a controlling shareholder in the Company or by entities related to either of them.
<b>SIGNIFICANT BUSINESS CONNECTIONS OR OTHER SIGNIFICANT CONNECTIONS WITH THE COMPANY OR AN ENTITY RELATED TO IT</b>	<p>The Internal Auditor does not perform a role that creates or can create a conflict of interests with his role as the Company's Internal Auditor.</p> <p>The Internal Auditor is not an interested party in the Company and is not a relative of an interested party or of an corporate officer in the Company and he does not serve as the Company's independent Auditor or on its behalf.</p>
<b>IS THE AUDITOR AN EMPLOYEE OF THE COMPANY OR AN EXTERNAL SERVICE PROVIDER</b>	The Internal Auditor shall provide internal auditing services on an external basis and he is not an employee of the Company. In performing the audit, the Internal Auditor shall be assisted by a team of people from his firm as necessary. The Internal Auditor does not fill any other position in the Company besides internal auditing.
<b>APPOINTMENT PROCESS</b>	The appointment of the Internal Auditor was approved by the Company's Board of Directors on July 5, 2016 following the recommendation of the Audit Committee from June 21, 2016. The basis for the appointment was his skills and experience in internal auditing.
<b>THE PERSON IN THE ORGANIZATION WHO IS RESPONSIBLE FOR THE INTERNAL AUDITOR</b>	Chairman of the Board.

**ITEM**

**DETAILS**

**WORK PLAN**

The Internal Auditor will submit to the Audit Committee, for approval, a proposed annual or periodic work plan, and the Audit Committee will approve it, subject to changes in its discretion.

The annual planning of audit tasks is affected by the following factors: the exposure to risks of activity and areas in accordance with a risk survey, findings of previous audits, issues in which an audit is requested by the Company's Board of Directors and management, and the need to maintain the periodicity of audits over the years.

The annual work plan of the Internal Auditor, as approved for 2023, included audit of the following: (1) Transactions with interested parties; (2) Human resource management; (3) Readiness for cyber events; (4) Follow-up on deficiencies repair and implementation of recommendations on cyber security in IT/ICS; (5) Project construction – Yassif project. The Internal Auditor is not permitted to deviate from the work plan which was determined without approval from the Company's Audit Committee and/or Board of Directors.

**AUDIT IN FOREIGN COUNTRIES OR OF INVESTEE COMPANIES**

The Auditor's work includes auditing investee companies and foreign investee companies.

**SCOPE OF EMPLOYMENT**

The plan approved for 2023 includes 450 work hours. The scope of the Auditor's position was determined after the Corporation and the Auditor estimated a scope of work hours which reflects the required level of investment by the Internal Auditor for the purpose of performing the required audit. The plan approved for 2023 shows a decrease by 120 hours compared to the plan approved for 2022, due to non-recurring increase in hours in 2022, for compiling a special report on cyber issues, at the request of the Company's Audit Committee (unrelated to any specific event).

In the period from January 1, 2023 through the report issue date, the following reports of the Internal Auditor were submitted in writing to the Company and to the Audit Committee:

<b>Report topic</b>	<b>Written report submitted on</b>	<b>Discussed by Audit Committee on</b>	<b>Actual work hours</b>	<b>Report addresses the Company's activities / Report addresses the activities of investees outside of Israel</b>
<b>Transactions with interested parties</b>	August 2023	August 3, 2023	50	The Company's activity (Israel)
<b>Human resource management</b>	November 2023	November 8, 2023	Total of 50: 20 work hours for	Company readiness (across all

ITEM	DETAILS			
			operations in Israel, 10 work hours for operations in the USA and 10 work hours for operations in Poland.	Group companies)
<b>Readiness for addressing a cyber event</b>	December 2023	December 20, 2023	50	The Company's activity (Israel)
<b>Follow-up on deficiencies repair and implementation of recommendations on cyber security in IT/ICS</b>	December 2023	December 20, 2023	50	The Company's activity (Israel)

#### PERFORMING THE AUDIT

The professional standards that guide the audit work: According to the notification of the Internal Auditor, the internal audit work is performed according to acceptable professional standards for internal audits, professional guidelines and instructions that were approved and issued by the Institute of Internal Auditors in Israel. After discussion by the Audit Committee on December 20, 2023, attended by the Internal Auditor, the Audit Committee was satisfied that the Internal Auditor was in compliance with applicable rules for conducting the audit.

#### ACCESS TO INFORMATION

The Internal Auditor was granted free access as stated in Section 9 of the Internal Audit Act, including access to any document or information requested for their audit work, including financial data with regard to the Company, investees and overseas investees.

#### SCOPE, NATURE AND CONTINUITY OF THE INTERNAL AUDITOR'S ACTIVITY AND WORK PLAN

To the best of the Company's Board of Directors' knowledge, the Internal Auditor's work plan, as recommended by the Internal Auditor, is reasonable and it is adequate to achieve the Company's internal auditing goals. The Audit Committee has the authority to broaden the scope of the work of the Internal Auditor, if and when necessary.

#### REMUNERATION

For details regarding remuneration of the Internal Auditor in 2023, see Note 25e in Chapter C of the Report - Financial Statements. There is no concern that the compensation specified above, which is derived from the auditor's budget of actual work hours, could affect the auditor's professional judgment.

### Appendix D—Details Regarding Obligatory Notes Issued by the Company

Presented below are details regarding the Company's obligatory notes, as of December 31, 2023 (NIS in thousands):

		<b>Bonds (Series A)</b>	<b>Bonds (Series B)</b>
1	<b>Issuance date</b>	Initial offering on December 12, 2019 and series extension on November 14, 2021	Initial offering on September 6, 2020 and series extension on November 14, 2021
2	<b>Par value on the issuance date</b>	427,478 in initial offering and 242,960 in series extension	500,000 in initial offering and 66,602 in series extension
3	<b>Par value as of December 31, 2023</b>	521,452	566,602
4	<b>Linked par value as of December 31, 2023</b>	Unlinked	Unlinked
5	<b>Carrying amount on the financial statements as of December 31, 2023 (at depreciated cost)</b>	520,464	535,693
6	<b>Market value as of</b>	473,446	477,647
7	<b>Accrued interest as of December 31, 2021</b>	4,474	586
8	<b>Interest rate / fixed</b>	2.05%	0.25%
9	<b>Materiality of series<sup>8</sup></b>	Yes	Yes
10	<b>Principal payment dates</b>	18 equal semi-annual payments, due on February 1 and August 1 of each of the years 2022 to 2030 (inclusive)	Single payment on August 1, 2027
11	<b>Interest payment dates</b>	February 1 and August 1 of each of the years 2020 to 2030 (inclusive).	February 1 and August 1 of each of the years 2021 to 2027 (inclusive).
12	<b>Linkage base and (principal and interest)</b>	Unlinked	Unlinked
13	<b>Conversion right</b>	None	Bonds convertible to Company shares from the issuance date until December 31, 2022
14	<b>Main conditions for conversion</b>	N/A.	Each NIS 17.535 <sup>9</sup> par value of the bonds will be convertible into one ordinary Company share, and from January 1, 2023 to July 22, 2027, each NIS 97.416 <sup>7</sup> par value will be convertible into one ordinary Company share.
15	<b>Guarantee to pay the liability</b>	None	None

<sup>8</sup>A series of liability certificates is material if the Company's total liabilities in accordance therewith, as of the end of the reporting year, as presented in the Company's separate financial statements (in accordance with Regulation 9C of the Securities Regulations (Periodic and Immediate Reports) - 1970), constitute 5% or more of the Company's total liabilities as presented in the aforementioned data.

<sup>9</sup>Following adjustment of the exercise price in respect of dividend distribution.

		<b>Bonds (Series A)</b>	<b>Bonds (Series B)</b>
16	<b>Early redemption</b>	(1) In case of a resolution by the stock exchange's Board of Directors to suspend trading due to a decline in the series' value, in accordance with the stock exchange's instructions; or (2) at the Company's initiative, upon the occurrence of certain events which constitute grounds for demanding immediate repayment; or (3) in accordance with a resolution by the Company Board of Directors, as set forth in Section 6.2 of the Deed of Trust.	In case of a resolution by the stock exchange's Board of Directors to suspend trading due to a decline in the series' value, in accordance with the stock exchange's instructions, all as set forth in Section 6 of the Deed of Trust.
17	<b>Pledges in favor of the bond holders</b>	None <sup>8</sup>	None <sup>10</sup>
18	<b>Restrictions in connection with the creation of additional pledges</b>	The Company will not create floating pledges on all of its assets (negative pledge) unless it has contacted the trustee in writing before creating the pledge, and informed him about it, and it will also create, concurrently with the creation of the pledge in favor of the third party, a floating pledge of the same rank, pari passu, in favor of the bond holders (Series A).	The Company will not create floating pledges on all of its assets (negative pledge) unless it has contacted the trustee in writing before creating the pledge, and informed him about it, and it will also create, concurrently with the creation of the pledge in favor of the third party, a floating pledge of the same rank, pari passu, in favor of the bond holders (Series B).
19	<b>Restrictions in connection with the authority to issue additional liability certificates</b>	None	None
20	<b>Validity of pledges</b>	N/A.	N/A.
21	<b>Conditions in the liability certificates regarding the change, release, replacement or cancellation of pledges</b>	For more information on this matter, see Section 5.5 of the Trust Deed	For more information on this matter, see Section 5.5 of the Trust Deed
22	<b>Changes to the conditions of the liability certificates regarding pledges</b>	No changes made	No changes made

<sup>10</sup>The Company will be entitled, under certain circumstances, to give pledges in favor of the bond holders (Series A and B), instead of fulfilling certain conditions, so long as grounds for demanding immediate repayment have not yet been fulfilled in accordance with those circumstances. Reference is hereby made to section 5.5 of the Trust Deed.

		<b>Bonds (Series A)</b>	<b>Bonds (Series B)</b>
	<b>during the Reported Period</b>		
23	<b>Way in which the changes were approved</b>	N/A.	N/A.
24	<b>At the end of the reporting year, and during the reporting year, did the Company fulfill all of the conditions and undertakings in accordance with the Trust Deed</b>	Yes	Yes
25	<b>Were the conditions for demanding the immediate repayment of the liability certificates or for forfeiting the collateral fulfilled</b>	No	No
26	<b>Description of the breach (if any)</b>	N/A.	N/A.
27	<b>Did the Company receive a demand from the trustee to perform various actions</b>	No	No
28	<b>Name of trust company</b> <b>Name of individual responsible for the series</b> <b>Address</b> <b>Telephone</b>	Reznik Paz Nevo Trusts Ltd. Adv. Hagar Shaul 14 Yad Harutzim St., Tel Aviv 03-6389200	Reznik Paz Nevo Trusts Ltd. Adv. Hagar Shaul 14 Yad Harutzim St., Tel Aviv 03-6389200
29	<b>Holders' meetings</b>	Holders' meeting not held	Holders' meeting not held
30	<b>Rating</b>		
	<b>Rating company</b>	Maalot	Maalot
	<b>Rating as of the issuance date</b>	A, stable outlook	Unrated on the issuance date of September 6, 2020, and rated A, stable outlook, in the series extension on November 14, 2021

		<b>Bonds (Series A)</b>	<b>Bonds (Series B)</b>
	<b>Rating as of December 31, 2021</b>	Unchanged	Unchanged
	<b>Rating company</b>	Midroog	Midroog
	<b>Rating as of the issuance date</b>	A2.il, stable outlook	A2.il, stable outlook
	<b>Rating as of December 31, 2021</b>	Unchanged	Unchanged

### Appendix E – Rating Reports<sup>11</sup>

- For the current rating report of Maalot The Israeli Securities Rating Co. Ltd., see immediate report published by the Company on December 27, 2023 (reference number 2023-01-128757).
- For the current rating report of Midroog Ltd., see immediate report published by the Company on November 6, 2023 (reference number 2023-01-121923).

### Appendix F – Valuation of Recoverable Amount of Material Asset of the Company

Subject of valuation:	Material valuation of recoverable amount of Clean Wind Energy Project
Valuation date:	December 31, 2023
Value of the subject prior to the valuation date, had generally accepted accounting practices, including depreciation and amortization, not required a change in its value based on the valuation:	N/A.
Value of the subject as determined by the valuation:	NIS 662 million
Appraiser identity and attributes, including education, experience in valuation for accounting purposes at reporting corporations, similar in scope to those in the reported valuation or larger, dependence on the valuation buyer, including reference to indemnification agreements with the appraiser:	Company Finance Department. The valuation was prepared internally, as the project has external financing based on an audited financial model, which takes into account all aspects of project construction and operation and its expected cash flow (including debt service), where the model is controlled by external advisor on behalf of the financing providers. Therefore, the Company believes that this financial model is the appropriate basis for project valuation.
Valuation model applied by the appraiser:	Discounted cash flow expected from the asset (value in use).
Assumptions used by the appraiser in their valuation, based on the valuation model:	The recoverable amount of the Clean Wind Energy Project as of December 31, 2023 was estimated using discounted cash flows expected by the Company from operation of this project. For more information about key assumptions, see Note 9g to the financial statements. The weighted discount rate used to calculate the discounted cash flows is 7.57%.

<sup>11</sup>The information provided in the aforementioned immediate reports was included in this report by way of reference.



**Energix – Renewable Energies Ltd.**

**Consolidated Financial Statements**

**As of December 31, 2023**

**(Audited)**

## Auditors' Report to the Shareholders of Energix – Renewable Energies Ltd.

### Regarding the Audit of Internal Controls over Financial Reporting In Accordance with Regulation 9B(c) of the Securities Regulations (Periodic and Immediate Reports), 1970

We have audited internal controls over financial reporting of Energix Renewable Energies Ltd. and its subsidiaries (hereinafter, jointly: the "Group") as of December 31, 2023. These controls were determined in the manner described in the following paragraph. The Board of Directors and management of the Group are responsible for ensuring the existence of effective internal control over financial reporting, and for evaluating the effectiveness of internal controls over the financial reports which are attached to the periodic report as of the foregoing date. Our responsibility is to express an opinion regarding the internal controls over financial reporting in the Group, based on our audit.

The internal controls over financial reporting which were audited by us were determined in accordance with Audit Standard 911 (Israel) of the Institute of Certified Public Accountants in Israel, "Audit of internal controls over financial reporting" (hereinafter: "Audit Standard 911"). These controls include: (1) Entity-level controls, including controls over the process of drafting and closing the financial reports, and general controls over information system; (2) Controls over the project procurement process; (3) Controls over revenues from sale of electricity (hereinafter jointly: "Audited Controls").

We have conducted our audit in accordance with Audit Standard 911 (Israel). According to this standard, we are required to plan and perform the audit in order to identify the audited controls, and to obtain a reasonable measure of assurance regarding whether those controls were applied effectively, in all material respects. Our audit included reaching an understanding of internal control over financial reporting, identifying the audited controls, assessing the risk of the existence of any material weakness in the audited controls, and evaluating and assessing the effectiveness of the planning and operation of those controls, based on the estimated risk. Our audit, in respect of those controls, also included the implementation of other policies which were considered necessary, in light of the circumstances. Our audit addressed only the audited controls, as opposed to internal controls over all material processes in connection with financial reporting, and therefore, our opinion refers to the audited controls only. Furthermore, our audit did not address the mutual effects between the audited controls and those which were not audited, and therefore, our opinion does not take into account possible effects of this kind. We believe that our audit provides a reasonable basis for our opinion in the context described above.

Due to inherent restrictions, internal control over financial reporting in general, and specific controls in particular, may not prevent or discover misrepresentation. Additionally, the conclusions reached regarding the future, based on any current evaluation of effectiveness, is exposed to the risk that the controls will become inadequate, due to changes in circumstances, or that the extent of compliance with policies or procedures will change for the worse.

In our opinion, based on our audit, the Group has effectively applied, in all material respects, the audited controls as of December 31, 2023.

We have also audited, in conformity with generally acceptable audit standards in Israel, the consolidated financial statements of the Group as of December 31, 2023 and 2022 and for each of the three years ended December 31, 2023, and our report dated March 5, 2024 includes our unqualified opinion of these financial statements, based on our audit.

**Brightman Almagor Zohar & Co.**  
**Certified Public Accountants**  
**A Firm in the Deloitte Global Network**  
**Tel Aviv, March 5, 2024**

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## Independent Auditor's Report to Shareholders of Energix – Renewable Energies Ltd.

We have audited the attached consolidated statements of financial position of **Energix Renewable Energies Ltd.** (hereinafter: the "**Company**") as of December 31, 2023 and 2022, as well as the consolidated statements of income and comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2023. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on these financial statements, based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards set forth in the Auditors Regulations (Auditor's Mode of Performance) – 1973. In accordance with these standards, we are required to plan and conduct the audit with the aim of reaching a reasonable measure of assurance that the financial statements are free of any material misstatement. An audit includes conducting an evaluation, on a sample basis, of evidence to support the amounts and information presented in the Financial Statements. An audit also includes conducting an evaluation of the accounting principles which were applied and of the significant estimates which were made by the Company's Board of Directors and management, and an assessment of the adequacy of presentation in the financial statements in their entirety. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the aforementioned Consolidated Financial Statements adequately reflect, in all material respects, the Group's financial position as of December 31, 2023 and 2022, as well as its operating results, changes in equity and cash flows for each of the three years, the last of which ended December 31, 2023, in accordance with International Financial Reporting Standards (IFRS) and the provisions of the Securities Regulations (Annual Financial Statements), 2010.

We have also audited, in accordance with Auditing Standard 911 of the Institute of Certified Public Accountants in Israel, "Audit of internal controls over financial reporting", internal controls over financial reporting in the Group as of December 31, 2023, and our report dated March 5, 2024 included an unqualified opinion regarding the effective existence of those controls.

### **Key audit matters**

Key audit matters mentioned below are matters arising from audit of the financial statements for the current period, reported or reportable to those in charge of corporate governance and which (1) refer, or may refer, to material items or disclosures on the financial statements, and (2) the judgment by the Independent Auditor with regard to these matters was challenging, subjective or especially complicated. These matters were addressed in our audit and the formulating of our opinion regarding the consolidated financial statements in their entirety. Communicating a key audit matter does not constitute change in the uniform layout of the Independent Auditor's report with regard to the financial statements in their entirety. Communicating a key audit matter does not constitute a separate opinion or a separate Independent Auditor's report on such matter, or on the balances / transactions / disclosures to which such matter may refer.

### **Hedging of electricity prices in the USA**

As stated in Notes 2.f, 3.c.4.b and 31.b.4 to the consolidated financial statements as of December 31, 2023, the Company has engaged with financial entities in hedging transactions in order to manage its exposures to changes in the market prices of electricity in the United States. These derivatives are accounted for as hedge accounting transactions, and are measured at fair value by an external valuer on behalf of the Company, as of that date, in accordance with the accounting policy which is described in Note 2.f. The fair value measurement of these derivatives is in accordance with level 3 of the fair value hierarchy, whereby the fair value in the financial statements as of December 31, 2023 is a net liability in the amount of NIS 116,283 thousand, and in 2022, the Company recognized changes in the fair value of these derivatives in the amount of NIS 80,266 thousand.

As specified in Note 2.f. to the Consolidated Financial Statements. In determining the fair value of these financial derivatives, the Company uses quoted market inputs as well as estimates and approximations which are based on inputs which are not observable quoted prices, such as yield curves and future electricity prices in the American power market. Such changes in estimates and approximations may result in significant changes in fair value. These base assumptions are the result of subjective judgment in an environment which is uncertain, sometimes very significantly, and therefore, changes in the above base assumptions may result in changes in the fair value of these derivatives, sometimes significantly, and could therefore affect the Company's financial position as of December 31, 2023, and its operating results for that year.

Due to the above, we identified the estimates and assumptions which are used by management in the fair value measurement of these derivatives as key audit matters. An audit requires the auditor's judgment in order to evaluate how management substantiated the adequacy of the assumptions and estimates which were used in the fair value measurement of these derivatives on electricity prices.

### **The audit policies which were performed in response to the key audit matter**

In response to the uncertainties which are involved in determining the fair value of the derivatives to hedge electricity prices in the USA, we mostly implemented the following policies: 1. Understanding of the internal control environment in respect of these derivatives of hedging electricity prices in the USA, and an audit regarding the effectiveness of the relevant internal controls. 2. We have gained understanding of the business rationale of the transactions and gave read the basic contractual agreements, on

sample basis, incorporating quantitative considerations. 3. We used experts on behalf of the Auditor with appropriate knowledge in order to assist in assessing the adequacy of the models and methodologies which were prepared by an independent external valuer on behalf of the Company, and the main assumptions which are used in the models, including the expected electricity prices, and forecasts thereof. 4. Involvement of the senior staff of the engagement team in Israel and the USA. 5. Evaluation of the adequacy of disclosures in the consolidated financial statements in respect of derivatives on electricity prices.

**Brightman Almagor Zohar & Co.**  
**Certified Public Accountants**  
**A Firm in the Deloitte Global Network**

**Tel Aviv, March 5, 2024**

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**Energix – Renewable Energies Ltd.**  
**Consolidated Statements of Financial Position**

	Note	<b>As of December 31</b>	
		<b>2023</b>	<b>2022</b>
		<b>NIS in thousands</b>	
		<b>(Audited)</b>	
<b>Assets</b>			
<b><u>Current assets</u></b>			
Cash and cash equivalents	4	567,667	465,119
Dedicated deposit	5	3,627	34,435
Restricted cash	5	624,588	-
Trade receivables and income receivables from customers	6	78,467	89,920
Green certificates	7	11,798	22,424
Receivables and debit balances	8	108,461	88,877
<b>Total current assets</b>		<b>1,394,608</b>	<b>700,775</b>
<b><u>Non-current assets</u></b>			
Long-term pledged deposit and restricted cash	5	9,037	57,205
Right-of-use asset	9	511,443	390,987
Connected electricity generation systems	10	5,216,735	2,910,128
Systems under construction and development	10	2,370,899	1,813,125
Other fixed assets	10	18,404	12,962
Other receivables	8	87,026	140,114
Deferred tax assets, net	28e	202,726	56,935
<b>Total non-current assets</b>		<b>8,416,270</b>	<b>5,381,456</b>
<b>Total assets</b>		<b>9,810,878</b>	<b>6,082,231</b>

The Notes to the Consolidated Financial Statements are an integral part thereof.

**Energix – Renewable Energies Ltd.**  
**Consolidated Statements of Financial Position**

	Note	<b>As of December 31</b>	
		<b>2023</b>	<b>2022</b>
		<b>NIS in thousands</b>	
		<b>(Audited)</b>	
<b>Liabilities and equity</b>			
<b><u>Current liabilities</u></b>			
Short term credit from financial institutions	14b	854,259	-
Current maturities of long-term loans	14b	119,967	77,013
Current maturities of lease liabilities		28,696	16,235
Current maturities of bonds	14d5	74,871	74,871
Trade payables	12	443,384	74,499
Payables and credit balances	13	307,015	232,014
Short term liability in respect of agreement with Tax Partner	14g	220,676	80,032
<b>Total current liabilities</b>		<b>2,048,868</b>	<b>554,664</b>
<b><u>Non-current liabilities</u></b>			
Loans from financial institutions	14b	2,864,220	1,267,162
Other long-term liabilities	14f	370,087	257,770
Bonds	14d5	446,353	520,288
Convertible bonds	14d5	533,499	523,979
Lease liability		486,275	372,311
Long-term liability in respect of agreement with Tax Partner	14g	599,731	163,739
Liability for employee severance benefits, net		1,404	772
Deferred tax liability, net	28e	89,287	91,258
<b>Total non-current liabilities</b>		<b>5,390,856</b>	<b>3,197,279</b>
<b><u>Equity</u></b>			
Share capital	16	5,486	5,478
Premium and capital reserves	16	2,108,076	2,088,487
Retained earnings		256,405	234,665
<b>Total equity attributable to the owners of the Company</b>		<b>2,369,967</b>	<b>2,328,630</b>
<b>Non-controlling interests</b>		<b>1,187</b>	<b>1,658</b>
<b>Total equity</b>		<b>2,371,154</b>	<b>2,330,288</b>
<b>Total liabilities and equity</b>		<b>9,810,878</b>	<b>6,082,231</b>

**March 5, 2024**

**Date of Signing of the  
Financial Statements**

**Nathan Hetz  
Chairman of the Board**

**Asa Levinger  
CEO**

**Tanya Friedman  
CFO**

**The notes to the Consolidated Financial Statements are an integral part thereof.**

**Energix – Renewable Energies Ltd.**  
**Consolidated Statements of Income**

		<b>For the year ended December 31</b>		
		<b>2023</b>	<b>2022</b>	<b>2021</b>
		<b>NIS in thousands</b>		
		<b>(Audited)</b>		
<b><u>Revenues</u></b>				
Revenues from the sale of electricity	17	454,316	446,326	200,788
Revenues from the production of green certificates	17	73,638	56,084	60,049
Other revenues, net (*)	18	153,952	24,915	5,789
		<u>681,906</u>	<u>527,325</u>	<u>266,626</u>
<b><u>Expenses</u></b>				
Maintenance of systems and others	19	93,920	54,688	38,973
Initiation expenses	21	16,881	1,453	381
Payroll and related expenses	20	46,254	34,369	20,517
Administrative, headquarters and other	22	45,310	30,896	20,017
		<u>202,365</u>	<u>121,406</u>	<u>79,888</u>
<b>Profit before financing, taxes, depreciation and amortization</b>		479,541	405,919	186,738
Capital gains from sale of investee partnership		-	18,098	12,363
Depreciation and amortization	9 +10a	(152,753)	(105,797)	(81,249)
<b>Profit before financing and taxes</b>		<u>326,788</u>	<u>318,220</u>	<u>117,852</u>
Financing income	23	27,976	8,846	2,350
Financing expenses	24	(101,565)	(91,205)	(49,955)
Financing expenses, net		<u>(73,589)</u>	<u>(82,359)</u>	<u>(47,605)</u>
<b>Profit after financing, net</b>		<u>253,199</u>	<u>235,861</u>	<u>70,247</u>
Company's share in the results of associates and joint ventures		-	-	1,320
<b>Profit before taxes on income</b>		<u>253,199</u>	<u>235,861</u>	<u>71,567</u>
Taxes on income	28d	(64,583)	(57,766)	(23,188)
Tax income from the Tax Partner		69,452	57,815	30,825
<b>Profit for the year</b>		<u>258,068</u>	<u>235,910</u>	<u>79,204</u>
<b>Total income for the period attributable to:</b>				
Profit for the year attributable to the owners of the Company		258,257	236,690	79,319
Profit (loss) for the year attributable to non-controlling interests		(189)	(780)	(115)
<b>Total profit for the year</b>		<u>258,068</u>	<u>235,910</u>	<u>79,204</u>
<b>Net earnings per share attributable to the equity holders of the Company (NIS):</b>				
Basic		<u>0.471</u>	<u>0.447</u>	<u>0.163</u>
Diluted		<u>0.470</u>	<u>0.435</u>	<u>0.161</u>
<b>Weighted average share capital used to compute the earnings per share (thousands of shares):</b>				
Basic	27	<u>548,673</u>	<u>529,476</u>	<u>486,454</u>
Diluted	27	<u>549,299</u>	<u>564,145</u>	<u>493,728</u>

The Notes to the Consolidated Financial Statements are an integral part thereof.

**Energix – Renewable Energies Ltd.**  
**Consolidated Statements of Comprehensive Income (Loss)**

	For the year ended December 31		
	2023	2022	2021
	NIS in thousands		
	(Audited)		
<b>Profit for the year</b>	258,068	235,910	79,204
<b>Other comprehensive income items that after initial recognition in comprehensive income were or will be transferred to profit or loss</b>			
Foreign currency translation differences for foreign operation	224,072	199,561	(143,367)
Loss in respect of cash flow hedge – value of time, net of tax	16,602	(50,184)	(1,937)
Income (loss) from foreign currency differences in respect of derivatives which were designated for the hedging of investments in subsidiaries which constitute foreign operations, net of tax	(195,149)	(161,329)	103,306
Change in the fair value of cash flow hedging instruments, net of tax	22,941	(5,893)	(32,102)
<b>Total comprehensive income for the year</b>	<b>326,534</b>	<b>218,066</b>	<b>5,104</b>
<b>Total comprehensive income (loss) attributable to:</b>			
Owners of the Company	326,723	218,846	5,219
Non-controlling interests	(189)	(780)	(115)
<b>Total comprehensive income for the year</b>	<b>326,534</b>	<b>218,066</b>	<b>5,104</b>

**The Notes to the Consolidated Financial Statements are an integral part thereof.**

**Energix – Renewable Energies Ltd.**  
**Consolidated Statements of Changes in Equity**

For the year ended December 31, 2023 (audited)

	Share capital	Premium	Receipts on account of options and conversion component of bonds	Capital reserve from cash flow hedge	Capital reserve from cash flow hedge – value of time	Reserve in respect of translation differences, including hedging of net investment in a foreign operation	Capital reserve from transactions with non-controlling interests	Capital reserve from transactions with controlling shareholders	Retained earnings (accumulated loss)	Total equity attributable to the shareholders of the Company	Non-controlling interests	Total equity
NIS in thousands												
<b>Balance as of January 1, 2023</b>	5,478	2,270,732	53,028	(41,406)	(52,122)	(121,702)	(20,555)	512	234,665	2,328,630	1,658	2,330,288
Income (loss) for the year	-	-	-	-	-	-	-	-	258,257	258,257	(189)	258,068
Other comprehensive loss for the year	-	-	-	22,941	16,602	28,925	-	-	-	68,468	-	68,468
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	20,820	20,820
Exercise of share options (*)	8	10,247	-	-	-	-	-	-	(703)	9,552	-	9,552
Dividend to Company shareholders	-	-	-	-	-	-	-	-	(252,005)	(252,005)	-	(252,005)
Share-based payment	-	-	-	-	-	-	-	-	16,191	16,191	-	16,191
Transaction with non-controlling interests	-	-	-	-	-	-	(**) (59,126)	-	-	(59,126)	(20,820)	(79,946)
Capital recovery for non-controlling interests	-	-	-	-	-	-	-	-	-	-	(282)	(282)
<b>Balance as of December 31, 2023</b>	<b>5,486</b>	<b>2,280,979</b>	<b>53,028</b>	<b>(18,465)</b>	<b>(35,520)</b>	<b>(92,777)</b>	<b>(79,681)</b>	<b>512</b>	<b>256,405</b>	<b>2,369,967</b>	<b>1,187</b>	<b>2,371,154</b>

(\*) The amount includes an increase in equity due to the exercise of employee options.  
**The Notes to the Consolidated Financial Statements are an integral part thereof.**

**Energix – Renewable Energies Ltd.**  
**Consolidated Statements of Changes in Equity**

For the year ended December 31, 2022 (audited)

	Share capital	Premium	Receipts on account of options and conversion component of bonds	Capital reserve from cash flow hedge	Capital reserve from cash flow hedge – value of time	Reserve in respect of translation differences, including hedging of net investment in a foreign operation	Capital reserve from transactions with non-controlling interests	Capital reserve from transactions with controlling shareholders	Retained earnings (accumulated loss)	Total equity attributable to the shareholders of the Company	Non-controlling interests	Total equity
NIS in thousands												
<b>Balance as of January 1, 2022</b>	4,882	1,563,176	53,028	(35,513)	(1,937)	(159,935)	(12,896)	512	99,646	1,510,963	2,286	1,513,249
Income (loss) for the year	-	-	-	-	-	-	-	-	236,690	236,690	(780)	235,910
Other comprehensive income (loss) for the year	-	-	-	(5,893)	(50,185)	38,233	-	-	-	(17,845)	-	(17,845)
Issuance of shares	518	673,463	-	-	-	-	-	-	-	673,981	-	673,981
Exercise of share options (*)	78	34,093	-	-	-	-	-	-	(5,072)	29,099	-	29,099
Dividend paid to Company shareholders	-	-	-	-	-	-	-	-	(106,824)	(106,824)	-	(106,824)
Share-based payment	-	-	-	-	-	-	-	-	10,225	10,225	-	10,225
Change in non-controlling interests	-	-	-	-	-	-	(**) (7,659)	-	-	(7,659)	152	(7,507)
<b>Balance as of December 31, 2022</b>	<b>5,478</b>	<b>2,270,732</b>	<b>53,028</b>	<b>(41,406)</b>	<b>(52,122)</b>	<b>(121,702)</b>	<b>(20,555)</b>	<b>512</b>	<b>234,665</b>	<b>2,328,630</b>	<b>1,658</b>	<b>2,330,288</b>

(\*) The amount includes an increase in equity due to the exercise of employee options.

The Notes to the Consolidated Financial Statements are an integral part thereof.

**Energix – Renewable Energies Ltd.**  
**Consolidated Statements of Changes in Equity**

For the year ended December 31, 2021 (audited)

	Share capital	Premium	Receipts on account of options and conversion component of bonds	Capital reserve from cash flow hedge	Capital reserve from cash flow hedge – value of time	Reserve in respect of translation differences, including hedging of net investment in a foreign operation	Capital reserve from transactions with non-controlling interests	Capital reserve from transactions with controlling shareholders	Retained earnings (accumulated loss)	Total equity attributable to the shareholders of the Company	Non-controlling interests	Total equity
	NIS in thousands											
<b>Balance as of January 1, 2021</b>	4,825	1,550,646	46,286	(3,411)	-	(119,874)	(3,062)	512	104,374	1,580,296	7,175	1,587,471
Income for the year	-	-	-	-	-	-	-	-	79,319	79,319	(115)	79,204
Other comprehensive income (loss) for the year	-	-	-	(32,102)	(1,937)	(40,061)	-	-	-	(74,100)	-	(74,100)
Issuance of convertible bonds equity component	-	-	6,742	-	-	-	-	-	-	6,742	-	6,742
Exercise of share options (*)	57	12,530	-	-	-	-	-	-	(2,572)	10,015	-	10,015
Dividend paid to Company shareholders	-	-	-	-	-	-	-	-	(87,712)	(87,712)	-	(87,712)
Share-based payment	-	-	-	-	-	-	-	-	6,237	6,237	-	6,237
Change in non-controlling interests	-	-	-	-	-	-	(**) (9,834)	-	-	(9,834)	(4,395)	(14,229)
Capital recovery for non-controlling interests	-	-	-	-	-	-	-	-	-	-	(380)	(380)
<b>Balance as of December 31, 2021</b>	<b>4,882</b>	<b>1,563,176</b>	<b>53,028</b>	<b>(35,513)</b>	<b>(1,937)</b>	<b>(159,935)</b>	<b>(12,896)</b>	<b>512</b>	<b>99,646</b>	<b>1,510,963</b>	<b>2,286</b>	<b>1,513,249</b>

(\*) The amount includes an increase in equity due to the exercise of employee options.

The Notes to the Consolidated Financial Statements are an integral part thereof.

**Energix – Renewable Energies Ltd.**  
**Consolidated Statements of Cash Flows**


	For the year ended December 31		
	2023	2022	2021
	NIS in thousands		
	(Audited)		
<b>Cash flows – operating activities</b>			
Income for the year	258,068	235,910	79,204
Expenses not involving cash flows (Appendix A)	184,985	152,149	76,767
	443,053	388,059	155,971
Changes in working capital (Appendix B)	62,760	(103,372)	(52,482)
<b>Net cash from operating activities</b>	<b>505,813</b>	<b>284,687</b>	<b>103,489</b>
<b>Cash flows – investing activities</b>			
Investment in electricity generation systems	(2,279,206)	(1,131,008)	(1,194,586)
Increase in pledged deposit	(625,310)	-	-
Decrease in pledged deposit and restricted cash	48,589	(7,222)	(35,908)
Acquisition of subsidiary (*)	-	-	(77,008)
Settlement of (investment in) financial derivatives	(232,820)	18,338	46,743
Provision of loan to related party	-	-	(13,247)
Repayment of loan from related party	-	13,730	-
Investment in other fixed assets	(10,537)	(4,356)	(5,577)
Consideration from sale of investee partnership	-	25,360	6,644
<b>Net cash used in investing activities</b>	<b>(3,099,284)</b>	<b>(1,085,158)</b>	<b>(1,272,939)</b>
<b>Cash flows – financing activities</b>			
Consideration from issuance of shares, net	-	673,745	-
Consideration from exercise of share options	942	29,769	9,665
Repayment of principal in respect of lease liability	(20,493)	(12,269)	(7,743)
Credit raising costs	(64,345)	(14,464)	(13,320)
Transaction with non-controlling interests	(24,243)	(2,859)	(9,834)
Capital recovery for non-controlling interests	(282)	-	(380)
Issuance of bonds and convertible bonds	-	-	312,963
Costs of raising bonds and convertible bonds	-	-	(2,006)
Repayment of bond principal	(74,493)	(74,489)	-
Receipt of short term loans from banking corporations	925,857	-	-
Receipt of loan from Tax Partner	662,629	-	178,443
Repayment of loan from Tax Partner	(11,381)	-	-
Long-term loan received from financial institutions	1,685,541	249,564	464,604
Repayment of loans from financial institutions	(179,561)	(75,464)	(51,973)
Dividend paid to Company shareholders	(252,005)	(106,779)	(87,712)
<b>Net cash from financing activities</b>	<b>2,648,166</b>	<b>666,754</b>	<b>792,707</b>
<b>Change in change in cash and cash equivalents and in designated cash</b>	<b>54,695</b>	<b>(133,717)</b>	<b>(376,743)</b>
<b>Balance of cash and cash equivalents at beginning of year</b>	<b>465,119</b>	<b>575,110</b>	<b>961,716</b>
<b>Balance of dedicated deposit at beginning of period</b>	<b>34,435</b>	<b>30,443</b>	<b>-</b>
<b>Effect of exchange rate fluctuations on cash and cash equivalents</b>	<b>17,045</b>	<b>27,728</b>	<b>(9,863)</b>
<b>Balance of cash and cash equivalents at end of year</b>	<b>567,667</b>	<b>465,119</b>	<b>544,677</b>
<b>Balance of dedicated deposit at end of period</b>	<b>3,627</b>	<b>34,435</b>	<b>30,433</b>

(\*) For additional information, see Note 9b(2)(e).

(\*\*) For additional information, see Note 9b(1)

(\*\*\*) See Appendix C of this report.

**The Notes to the Consolidated Financial Statements are an integral part thereof.**

Energix - Renewable Energies Ltd. (A  Group company)

**Energix – Renewable Energies Ltd.**  
**Consolidated Statements of Cash Flows**

**Appendix – Adjustments Required to Present Cash Flows from Operating Activities**

**a. Expenses (income) not involving cash flows:**

Financing expenses, net	29,484	20,636	10,514
Maintenance expenses not associated with cash flows	-	(1,478)	-
Revaluation of loans, deposits and marketable securities, net	3,600	51,451	16,037
Depreciation and amortization	169,634	105,799	81,249
Company's share in the results of equity-accounted partnerships	-	-	(1,320)
Tax expenses (income) recognized in income for the period	(33,221)	(13,441)	(22,517)
Share-based payment	15,488	7,280	5,125
Profit from sale of investee partnership	-	(18,098)	(12,363)
Other	-	-	42
	<u>184,985</u>	<u>152,149</u>	<u>76,763</u>

**b. Changes in asset and liability items (changes in working capital):**

Increase (decrease) in trade receivables, other receivables and debit balances	32,174	(72,810)	(27,250)
Decrease (increase) in inventory of green certificates	12,932	(7,406)	7,251
Increase (decrease) in trade payables and other payables and credit balances	17,654	(23,156)	(460)
Purchase of cap option	-	-	(32,019)
	<u>62,760</u>	<u>(103,372)</u>	<u>(52,478)</u>

**Non-cash activity**

Contingent consideration in transaction with non-controlling interests	80,500	-	-
Receivables from non-cash exercise of share options	8,932	5,619	2,922
Investment in electricity generation facilities against supplier credit and payables	440,014	49,294	8,369
Increase of clearing and restoration provision against systems under construction	64,055	23,916	6,030
Increase in right-of-use asset against lease liability due to new lease agreements	119,741	87,166	93,911

**Additional information**

Interest paid for operating activities	90,351	11,421	5,717
Interest received in respect of operating activities	15,835	7,982	2,081
Taxes paid (received), net	28,352	13,393	15,106
Interest paid in respect of properties under construction	47,135	47,744	23,714

**The Notes to the Consolidated Financial Statements are an integral part thereof.**

**Energix – Renewable Energies Ltd.**  
**Consolidated Statements of Cash Flows**

For the year ended December 31

2023                      2022                      2021

NIS in thousands

(Audited)

**Appendix C – Sale of Consolidated**

**Partnership**

Working capital (including cash and cash equivalents)	-	-	1,497
Pledged deposit and restricted cash	-	-	2,015
Connected electricity generation systems	-	-	23,693
Payables and credit balances	-	-	(220)
Long-term loans, including current maturities	-	-	(27,148)
Non-controlling interests	-	-	(4,395)
Sold assets, net	-	-	(4,558)
Gain on sale of consolidated company	-	-	12,363
Total consideration	-	-	7,805

**Cash flows, net**

Total consideration	-	-	7,805
Less previously consolidated cash and cash equivalents	-	-	(1,161)
Total added cash	-	-	6,644

**The Notes to the Consolidated Financial Statements are an integral part thereof.**

**Energix – Renewable Energies Ltd.**  
**Notes to the Consolidated Financial Statements**

**Note 1 - General**

**a. General description of the Company and its operations**

Energix – Renewable Energies Ltd. (hereinafter: the “**Company**”) is a public company whose securities have been listed for trading on the Tel Aviv Stock Exchange since May 2011. The Company is engaged in the development, development, construction, financing, management and operation of systems for the production and storage of electricity from renewable energy sources, with the aim of holding such systems as the owner over the long-term. The Company's controlling shareholder is Alony Hetz Properties and Investments Ltd. (hereinafter: “**Alony Hetz**”).

The Company's activities are divided into the following segments:

- (i) **Activities to produce electricity using photo-voltaic technology (the “Photo-voltaic Segment”), including storage capabilities** – As of the Report Date, the Company has activities in the Photo-voltaic Segment in Israel, the USA and Poland.
- (ii) **Activities to produce electricity from wind energy (the “Wind Energy Segment”) –** As of the Report Date, the Company has activities in the Wind Energy Segment in Israel and in Poland.

For further details, see Note 29 regarding operating segments.

In the Company's overall activities in Israel, the United States and Poland, the total capacity of its systems (for storage systems – Mwh) is 1,279MW in projects in commercial operation, 533MW + 318MWh in projects under construction and pre-construction, and 473MW + 136MWh in projects in advanced development stages. The Company also projects under development in the photo-voltaic segment and in the wind energy segment with total capacity of 6.1GW, and projects under development in the storage segment with total capacity of 6.6GWh.

**b. Iron Swords war and its impact on Company operations**

On October 7, 2023, the Iron Swords war broke out and is still ongoing. Noting the Company's global operations and operating segment, the war had negligible effect on its operating results in the fourth quarter of 2023. The war is expected to result in longer schedules for construction of Company projects in Israel, in the wind energy and photo-voltaic energy segment. For more information about projects under construction in Israel, see Note B and Note 10 below.

**Energix – Renewable Energies Ltd.**  
**Notes to the Consolidated Financial Statements**

**Note 1 - General (Cont.)**

**c. Definitions in these financial statements:**

The Consolidated Financial Statements of the Company as of December 31, 2023 include the Financial Statements of the Company, and of companies and partnerships under its control (the Company and its investees shall hereinafter be referred to as: the “**Group**”). Any reference to the term “Company” in this report means the Company, directly and/or indirectly through one of the entities in the Group. The following are additional definitions which are relevant to the report:

<b>Alony Hetz</b>	As defined in Section 1a.
<b>Amot</b>	Amot Investments Ltd., a subsidiary of Alony Hetz, the Company's controlling shareholder, and all of its subsidiaries, investees and consolidated companies.
<b>Interested Parties</b>	As defined in Paragraph (1) of the definition of an “interested party” in Section 1 of the Securities Law – 1968.
<b>Company</b>	As defined in Section 1a. Any reference to the term "Company" in this report means the Company, directly and/or indirectly through one of the entities in the Group.
<b>Israel Joint Venture</b>	A limited partnership owned by the Company (70%) and an entrepreneurial company (30%), which is engaged in the joint development, development, construction, operation and maintenance of projects for the production of electricity from photo-voltaic energy.
<b>Group</b>	As defined in this section above. For more information of investee companies, see Note 11.
<b>Consolidated Companies / Subsidiaries</b>	Corporations, including companies and partnerships, whose reports are fully consolidated, directly or indirectly, with the Company's reports.
<b>Investee Companies</b>	Consolidated companies and subsidiaries, including partnerships or a joint transaction, in which the Company's investment is stated, directly or indirectly, on an equity basis (see also Note 3a).
<b>Electric Corporation / Critical Service Provider</b>	Israel Electric Corporation Ltd.
<b>Index / CPI</b>	The Consumer Price Index as published by the Central Bureau of Statistics.
<b>Small Systems</b>	Photo-voltaic systems with an electricity generation capacity of up to 50 KWp each.

**Energix – Renewable Energies Ltd.**

**Notes to the Consolidated Financial Statements**

<b>Medium Systems</b>	Photo-voltaic systems with an electricity generation capacity greater than 50KWp that are connected to the distribution network.
<b>Large Systems</b>	Photo-voltaic systems for the production of electricity that are connected to the transmission network.
<b>Systems of the First Competitive Process</b>	Photo-voltaic systems built by virtue of the winning quota in the first competitive proceeding of the Electricity Authority, and incorporated under Energix Projects 2, Limited Partnership, which is 100% held by the Company.
<b>Systems of the Second Competitive Process</b>	Photo-voltaic systems built by virtue of the winning quota in the second competitive proceeding of the Electricity Authority, and incorporated under Energix Projects 2, Limited Partnership, which is held 70% by the Company.
<b>Systems of the Third / Fourth Competitive Process</b>	Photo-voltaic systems built by virtue of the winning quota in the second competitive proceeding of the Electricity Authority, and incorporated under Energix Projects 3-4, Limited Partnership, which is held 70% by the Company.
<b>Clean Wind Energy Project</b>	As defined in Note 10b(5).
<b>Neot Hovav Project</b>	As defined in Note 10a.
<b>Banie Project 1+2</b>	As defined in Note 10b(4)(d).
<b>Banie Project 3</b>	As defined in Note 10b(4)(d).
<b>Banie Project 4</b>	As defined in Note 10b(4)(d).
<b>Hawa Project</b>	As defined in Note 10b(4)(d).
<b>Initiated Projects</b>	Initiated projects include the Company's series of projects in various stages of development, which may mature into projects under construction, in which the Company has ties to the land, and in which the Company is working to obtain the permits and authorizations which are required for their construction.

**Energix – Renewable Energies Ltd.**

**Notes to the Consolidated Financial Statements**

<b>Projects in advanced development</b>	Projects in advanced development include the series of Company projects which the Company estimates can reach a financial closing or readiness for construction within the next 12 months, or projects in development stages which have won a guaranteed tariff.
<b>Projects Under Construction or in Pre-Construction</b>	Projects of the Company which are under construction or whose actual construction is expected to begin in the near future.
<b>Commercially Active Projects</b>	Projects whose construction has been completed, and in which the produced electricity is transmitted to the power grid.
<b>Virginia Projects 1-2</b>	As defined in Note 10b(2).
<b>PA1</b>	As defined in Note 10b(2).
<b>Virginia Projects 3</b>	As defined in Note 10b(2).
<b>Sepopol Project</b>	As defined in Note 10b(4)(d).
<b>Related Party</b>	As defined in IAS 24 (2009), “Related Party Disclosures”.
<b>Granot Partnership</b>	Granot Energix Solar Projects, Limited Partnership, which was 50% held by the Company and accounted by the equity method, and which was sold in 2022.
<b>Meitarim Partnership</b>	Energix Har Hevron, Limited Partnership, which was 50.1% held by the Company, and sold in 2021.
<b>Projects Partnership 1</b>	Energix Projects 1, Limited Partnership, which is 100% held by the Company.
<b>Photo-voltaic Segment</b>	As defined in Note 1a.
<b>Wind Energy Segment</b>	As defined in Note 1a.
<b>Green Certificates</b>	As defined in Note 3g.
<b>KWp</b>	Peak kilowatt units which are used to measure the installed electricity generation capacity of photo-voltaic systems.
<b>MWp</b>	1,000 peak kilowatt units which are used to measure the installed electricity generation capacity of photo-voltaic systems.
<b>MW</b>	1,000 kilowatt units which are used to measure the actual transmitted capacity of turbines that are operated with wind energy.
<b>GW/GWp</b>	1,000 units MW/MWp, as applicable.

**Energix – Renewable Energies Ltd.**  
**Notes to the Consolidated Financial Statements**

**Note 2 - Basis of Preparation****a. Statement of Compliance with International Financial Reporting Standards (IFRS)**

The Consolidated Financial Statements of the Group have been drawn up in accordance with International Financial Reporting Standards (hereinafter: “IFRSs”) and related interpretations published by the International Accounting Standards Board (IASB).

Furthermore, these financial statements have been prepared in accordance with the Securities Regulations (Annual Financial Statements) – 2010.

These condensed consolidated interim financial statements were authorized for issue by the Company’s Board of Directors on March 5, 2024.

**b. Functional currency and presentation currency**

These Consolidated Financial Statements are presented in NIS, which is the Company’s functional currency, and have been rounded to the nearest thousands, except when otherwise indicated. The Shekel is the currency that represents the Company’s main operating economic environment.

**c. Basis of measurement**

The Financial Statements have been prepared on the historical cost basis except for the following assets and liabilities:

- Financial, derivative and other instruments measured at fair value through profit or loss;
- derivatives designated for cash flow hedging in respect of foreign currency, net investments in foreign operations and changes in electricity prices in the United States, which are measured at fair value through other comprehensive income;
- Money market funds that are presented under cash and cash equivalents and designated at fair value through profit or loss;
- Deferred tax assets and liabilities are measured at non-capitalized amounts;
- Provisions and assets to which they were capitalized.

**d. Operating cycle**

The Group’s operating cycle period is 12 months.

**e. Classification of expenses recognized in the income statement**

The classification of the Group’s expenses recognized in the statement of income is based on the function of the expense. The Group has chosen to use this classification method because it believes that it facilitates simple and clear presentation of profit before financing, taxes, depreciation and amortization. This index is an important index for companies in the Company’s field of activity, and contributes to a better understanding of the results of its business operations.

**f. Use of estimates and judgments**

The preparation of financial statements in conformity with IFRSs requires management of the Company to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. It is hereby clarified that actual results may differ from these estimates. In formulating the accounting estimates that are used in the preparation of the Financial Statements of the Group, management of the Company is required to make assumptions as to circumstances and events involving significant uncertainty. Management of the Company prepares the estimates on the basis of past experience, various facts, external circumstances, and reasonable assumptions according to the pertinent circumstances of each estimate.

**Energix – Renewable Energies Ltd.**  
**Notes to the Consolidated Financial Statements**

**Note 2 - Basis of Preparation (Cont.)**

**g. Use of estimates and judgments (Cont.)**

The underlying estimates and assumptions, which are used for the purpose of the Financial Statements, are reviewed on a routine basis. Changes in accounting estimates are recognized in the period in which the estimates were amended and in every affected future period.

Presented below are details regarding the estimates and the principal assumptions on which the Group relied in its determination of the values of assets and liabilities, and other main factors which could lead to uncertainty in respect of estimates that have a significant risk of effectively resulting in a material adjustment to carrying amounts of assets and liabilities, and the relevant Notes:

**1. Qualifying asset –**

For the purpose of determining whether projects in stages of initiation and development constitute qualifying assets for capitalization, Company management assesses whether the projects are expected to reach completion of construction and commercial operation, in order to produce economic benefits for the Company.

This assessment is performed based on past experience and based on the entire set of relevant facts, including the required statutory permits, the land ties, the ability to connect to the grid, etc.

For information regarding projects under construction and development, see Note 10 and Note 3h.

**2. Determination of the fair value of financial derivatives designated for hedging –**

The Company uses various derivative financial instruments in order to manage the exposures to changes in currency rates, interest rates and electricity prices. In setting the fair value of these financial derivatives quoted market inputs as well as estimates and approximations which are based on inputs which are not observable quoted prices, such as interest rates, yield curves, etc.

Changes in these estimates and approximations may result in material changes to their fair value. For further details, see Note 31 – Financial Instruments.

**h. Determination of fair value**

Preparation of the Financial Statements requires the Company to determine the fair value of certain assets and liabilities. Further information about the assumptions that were used to determine fair value is included in Note 31 – Financial Instruments.

When determining the fair value of an asset or liability, the Group uses observable market data as much as possible. There are three levels of fair value measurements in the fair value hierarchy that are based on the data used in the assessment, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs that are observable, directly or indirectly, which are not included in Level 1 above.
- Level 3: inputs that are not based on observable market data.

**Energix – Renewable Energies Ltd.**  
**Notes to the Consolidated Financial Statements**

**Note 2 - Basis of Preparation (Cont.)****i. Exchange rates and linkage base**

Balances in foreign currency, or linked thereto, are included in the Financial Statements according to the representative exchange rates which were published by the central banks of the Company's operating countries as of the Report Date.

Balances linked to the consumer price index are presented according to the last known index at the end of the Reported Period (the index for the month preceding the month of the Report Date), or in accordance with the index in lieu for the last month of the Reported Period (the index for the month of the Report Date), in accordance with the terms of the relevant transaction.

Presented below are details regarding the consumer price index and the exchange rates of the currencies which are relevant to the Company's activity vs. the NIS, and regarding the increase (decrease) of the consumer price index and changes in the exchange rates of those currencies vs. the NIS, as of the Report Date and in the corresponding periods:

	As of December 31 / for the month of December			Change during the one year period ended December 31		
	2023	2022	2021	2023	2022	2021
				%		
<b>Consumer Price Index (According to base 2000)</b>						
In Israel (index in lieu)	147.78	143.53	136.35	2.96	5.27	2.80
In Israel (known index)	147.92	143.13	135.95	3.34	5.28	2.40
<b>Exchange rate vs. the NIS</b>						
PLN	0.92	0.80	0.76	14.91	4.63	(10.48)
EUR	4.00	3.75	3.52	6.54	6.68	(10.78)
USD	3.63	3.52	3.11	3.07	13.15	(3.27)

**Note 3 - Significant Accounting Policies**

The accounting policies set out below have been applied consistently for all periods presented in these Consolidated Financial Statements.

**a. Basis of consolidation****1. Subsidiaries**

Subsidiaries are entities controlled by the Company. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that the Company achieves control over the relevant entity until the date that control is lost.

**Energix – Renewable Energies Ltd.**  
**Notes to the Consolidated Financial Statements**

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## 2. Non-controlling interests

Non-controlling interests comprise the equity of a subsidiary that cannot be attributed, directly or indirectly, to the parent company.

### Allocation of profit or loss and other comprehensive income among the shareholders

Profit or loss and any component of other comprehensive income are attributed to the owners of the Company and to non-controlling interests. Total profit or loss and the other comprehensive income are allocated to the owners of the Company and the non-controlling interests, even when the result is a negative balance of the non-controlling interests.

When attributing the profit and loss between the Company and the non-controlling interests, the Company takes into account the profit allocation mechanism, according to the contractual terms between the parties, and in consideration of the priority of the repayment of shareholder's loans and/or preferred shares which were provided to an investee entity held by the parties.

## b. Functional currency and presentation currency

### (1) Translation of transactions in currencies other than the functional currency:

Transactions in foreign currencies are translated into the functional currency of the Group according to the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the Report Date are translated to the functional currency at the exchange rate at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as of the date of the transaction.

Exchange differences arising from translation to the functional currency are generally recognized in profit or loss, other than differences arising from the translation of derivatives that are used to hedge cash flows or to hedge the net investment in a foreign operation, in respect of the effective portion of the hedge, which are carried to other comprehensive income.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either financing income or financing expenses depending on the foreign currency movements.

**Energix – Renewable Energies Ltd.**  
**Notes to the Consolidated Financial Statements**

(2) **Foreign operations**

The assets and liabilities of foreign operations are translated to NIS at exchange rates at the Report Date. The income and expenses of foreign operations are translated to NIS according to the average exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income and presented in the foreign operation translation reserve. Foreign currency differences in respect of loans provided by or provided to foreign operations are recognized in profit or loss in the Consolidated Financial Statements, except as described below.

Foreign exchange gains and losses arising from loans received from or granted to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income and presented within equity in the translation reserve. The capital reserve from translation differences (net, after offsetting the effective part of the hedge which was recognized in the capital reserve in respect of derivatives designated for hedging investments in foreign operations) was carried to the statement of income upon realization of the investment in the foreign operation.

**c. Financial instruments**

(1) **Non-derivative financial assets**

(a) **Overview**

Investments in financial assets measured at depreciated cost are initially recognized at fair value plus transaction costs.

(b) **Financial assets at depreciated cost**

Trade receivables, deposits and other debt instruments are measured at depreciated cost using the effective interest method, as they are held in a business model whose objective is to collect contractual cash flows, and their contractual terms confer eligibility upon specified dates to cash flows, which are principal and interest payments only.

(2) **Financial liabilities and equity instruments**

(a) **Financial liabilities at depreciated cost**

Financial liabilities at depreciated cost (loans, bonds etc.) are initially recognized at fair value net of transaction costs. Following the date of initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

**Energix – Renewable Energies Ltd.**  
**Notes to the Consolidated Financial Statements**

(a) **Convertible bonds**

**Convertible bonds** – The bonds which are convertible to Company shares constitute a hybrid financial instrument which, as of the issuance date, is separated into a financial liability component, which is presented under long-term liabilities (excluding current maturities, which are presented under current liabilities), and an equity component (the right to convert the bonds into a fixed number of Company shares, according to a predetermined conversion ratio), which is presented under the Company's equity. The determination of the fair value of the liability component is based on the interest rate of similar debt instruments that do not include a conversion option. This component will be treated prospectively at amortized cost according to the effective interest method. The remainder of the consideration in respect of the convertible bonds was attributed to the conversion option implicit in the bonds. This component was carried to equity after deducting income tax effects, and is not remeasured in subsequent periods. The issuance costs were allocated on a proportionate basis to the components of the hybrid financial instrument, in accordance with the allocation of the consideration.

(b) **Financial liability in respect of Tax Partner in the USA**

For more information, see Section q(5) below.

(3) **CPI-linked assets and liabilities measured at amortized cost**

The value of CPI-linked financial assets and liabilities, which are measured at amortized cost, is remeasured in each period according to the actual increase/decrease of the CPI. Linkage differentials are charged to financing items on profit or loss.

(3) **Hedge accounting**

(a) **Overview**

The Group uses various derivative financial instruments in order to manage the exposures to changes in currency rates, interest rates and electricity prices. For more information regarding the financial derivatives which the Company holds for cash flow hedging purposes or to hedge the net investment in foreign operations, see Note 31.

Derivatives are recognized initially at fair value. Attributable transaction costs are recognized in profit or loss as incurred. When the fair value of a derivative, on its date of initial recognition, differs from the transaction price (hereinafter, in this subsection: the "Difference on the Initial Measurement Date"), and if the measurement of the value of such derivatives is not based on a quoted price in an active market for an identical derivative only, or is not based on valuation methods which use only observable inputs (due to the terms of the transaction), then the value of the derivative, upon initial recognition, is adjusted in order to defer the Difference on the Initial Measurement Date. This difference will be recognized later in the statement of income, only if it is due to changes to a factor which a market participant would have taken into account when determining the transaction price. The Company presents derivatives which are used to hedge electricity prices in the United States, to hedge the Wibor interest rate in Poland and to hedge the SOFR interest rate in the USA in the statement of financial position, while adjusting the fair value as stated above, when required.

**Energix – Renewable Energies Ltd.**  
**Notes to the Consolidated Financial Statements**

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**(b) Cash flow hedge**

As of the Report Date, the Group applies cash flow hedge accounting in connection with fixed price transactions with respect to the electricity which it will sell within the framework of photovoltaic projects in the United States, with respect to project loans at variable interest in Poland, through interest rate caps on the variable interest rate, and with respect to project loans bearing variable interest in the USA, by way of interest rate swap (IRS) transactions to swap fixed interest for variable interest over the term of the loans. For more information, see Note 31.

Changes in the fair value of derivatives designated as a cash flow hedge, in respect of the effective portion of the hedge, are recognized through other comprehensive income directly in a hedging reserve. Changes in fair value relating to the ineffective portion are recognized in profit or loss under Financing. The amount recognized in the hedging reserve is reclassified to the income statement in the period in which the defined cash flows affect the statement of profit or loss and is presented under the same line item as the hedged item (revenues from sale of electricity or interest expenses).

Regarding hedge relationships which are executed through interest rate caps on the variable interest rate of loans at variable interest, the option's value of time does not constitute a part of the hedge relationship, but rather its intrinsic value only. The option's value of time on the date of its initial recognition (the "Hedge Cost") is carried to the statement of income in a straight line throughout the hedge period (the period when the hedged interest payments are recognized in the statement of income). Changes in fair value which are attributed to the option's value of time are carried to a separate capital reserve.

**(c) Hedging of net investment in a foreign operation**

The Group applies hedge accounting to the net investment in foreign operations. As part of the activity of hedging the net investment in foreign operations, the Company engages, inter alia, in forward cross-currency swap transactions. For more information, see Note 31b(3)(a).

The hedging of investments in investee companies which are foreign operations is accounted for similarly to the hedging of cash flows. The effective part of the total change in the fair value of financial instruments which are intended for hedging of net investments in foreign operations is recognized under other comprehensive income and is offset against capital from translation differences fund of foreign operations. The non-effective portion is recognized in profit or loss under Financing.

Amounts carried to other comprehensive income are classified to profit or loss upon the net realization of the investment in the foreign operation, and upon partial realization of the foreign operation which involves loss of control.

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(4) **Embedded foreign currency derivatives:**

The Company does not separate foreign currency embedded in commercial agreements where the consideration is denominated in foreign currency, is not leveraged, does not include an option characteristic, and is denominated in one of the following currencies:

The functional currency of any significant party to the agreement; or

The currency in which the price of the acquired or delivered goods or services is denominated, routinely in commercial transactions around the world; or

A currency which is generally used in contracts to purchase or sell non-financial items in the economic environment where the transaction takes place (e.g., a relatively stable and liquid currency which is generally used in local commercial transactions, or in external commerce).

The Company applies this accounting policy to the agreement to purchase energy storage systems, and in accordance with the above, it did not separate an embedded foreign currency, as in essence this is a foreign trade transaction in a stable, liquid currency (USD), commonly used in external trading.

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**d. Cash and cash equivalents and restricted cash**

Cash and cash equivalents comprise cash that is available for immediate use, call deposits as well as term deposits that are not restricted in use, for which the original maturity date does not exceed three months. Cash which is restricted by the Group in respect of credit agreements, such as amounts deposited in debt service reserve accounts and/or until the fulfillment of conditions for use in accordance with the project finance agreements, or which is restricted to use for projects only, within the framework of accompaniment accounts for those projects, is presented in the statement of financial position under pledged deposits and restricted cash.

**e. Dedicated cash**

The Company classified as a dedicated deposit some of the Tax Partner's investment, which was contractually restricted until the grid connection of all of the projects in Virginia Projects 2. This amount is not presented as restricted in use, as it is indeed subject to a contractual restriction – but is not deposited in a pledged or restricted account, but rather may be withdrawn on demand.

Therefore, the contractual restriction pursuant to the agreement with the Tax Partner does not affect the deposit meeting the definition of cash and cash equivalent, for presentation on the Company's statement of financial position and on the statement of cash flows, even though use of this amount other than for the purposes set forth in the agreement with the Tax Partner would entail breach of the agreement.

**f. Fixed assets**

**(1) Recognition and measurement**

Items of fixed assets are measured using the cost model less accumulated depreciation and impairment losses. Cost includes payment that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs (such as construction labor cost, cost of consultants, fees, permits, equipment etc.) directly attributable to bringing the assets to a working condition for their intended use, and the estimated costs of dismantling and removing the items and restoring the site on which they are located – see Note 3i. For more information regarding the conditions for attributing development and other costs to fixed assets (electricity generation projects in development and construction stages), see Note 3p.

The cost of qualifying assets also includes borrowing costs which are to be capitalized to the cost of the qualifying asset, as specified in Note 3h.

The Company's fixed assets mostly include systems for the production of electricity – photo-voltaic facilities and wind farms.

When major parts of a fixed asset item have different useful lives, they are accounted for as separate items (major components) of the fixed asset and are separately depreciated.

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(2) **Write-down of fixed assets**

Components of a depreciable fixed asset item with a significant cost compared to the total cost of the item are depreciated separately. Depreciation is systematically applied (as detailed below) over the estimated useful lives of each part of the fixed asset item from the date on which the asset is ready for use, i.e. it has reached the location and the condition that are necessary for it to be used as intended by management (usually the commercial operating date of photovoltaic systems and wind farms), taking into consideration the anticipated residual value at the end of the useful life, as applicable.

The estimated useful lives and the rates of depreciation that are used in calculating the depreciation are as follows:

	<u>Useful life</u>	<u>% of depreciation</u>	<u>Depreciation method</u>
A. Electricity production systems – wind energy	30 years	~3.33	Straight-line
B. Electricity production systems – photo-voltaic energy (*)	20-23 years	4.35-5	Straight-line
C. Transformers	7 years	~14.33	Straight-line
D. Office furniture and equipment	3-16 years	6-33	Straight-line
E. Software and IT	3 years	33	Straight-line

(\*) A significant residual value was calculated for these facilities

**g. Inventory of green certificates**

Green certificates in respect of the Company's wind farms in Poland, which have accrued for the Company and are yet unsold, are recognized as an inventory of green certificates, based on the price of green certificates at the end of the month in which they accrued. After the date of initial recognition, inventory of green certificates is measured according to its original value less impairment to net realizable value, if required. Net realizable value is the estimated selling price of the inventory of green certificates in the ordinary course of business, after deducting the estimated costs required to make the sale. The selling price of the inventory of green certificates in Poland is determined according to a quote from the green certificate exchange on the cutoff date.

Impairment and impairment reversal of green certificates are recognized under Maintenance Expenses of Other Systems Upon the sale of green certificates, the Company writes off the inventory of certificates according to the first in – first out (FIFO) method. The difference between the consideration from the sale and the carrying amount which is written off is recognized under System Maintenance and Other Expenses (in the amount of the reversal of impairment, if any) or other income (in the amount of the difference between the selling price and original cost), as applicable.

Green certificates which are subject to a sale agreement at a predetermined price (both in respect of wind farms in Poland, and in respect of photo-voltaic systems in the USA) are recognized as inventory according to the price specified in the agreement.

For additional information, see Note 3m(2).

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**h. Capitalization of borrowing costs**

Borrowing costs include interest expenses using the effective interest method, exchange rate differentials and linkage differentials.

Specific borrowing costs were directly capitalized for the construction of electricity generation facilities which require a significant period of time to be ready for use (and which therefore constitute qualifying assets) during the period required for completion and construction, until they are ready for their intended use. The foreign currency differences from credit in foreign currency are capitalized if they are considered an adjustment of interest costs. Income earned on the temporary investment of specific credit received for investing in a qualifying asset is deducted from the borrowing costs eligible for capitalization.

General borrowing costs are capitalized to qualifying assets throughout the period required for completion and construction until they are ready for their intended use. These borrowing costs also include specific credit which was received in order to obtain a qualifying asset, and which continue to exist after the qualifying asset for which it was taken has become ready for use. These costs are determined by multiplying part of the cost of the investment in the qualifying asset, weighted according to the period, which was not financed through specific credit, by the Company's general capitalization rate for borrowing costs. This capitalization rate is determined according to the weighted average of all of the Group's borrowing costs (including in respect of leases) during the period, excluding specific borrowing costs which were received to finance a qualifying asset during its period of construction.

The Company capitalizes CPI linkage differentials with respect to specific and non-specific borrowing (with respect to part of the investment in the qualified asset financed using CPI-linked borrowing), in conformity with the actual change in CPI in each period.

Other borrowing costs are recognized under Financing Expenses in profit or loss when incurred.

**i. Liability for the costs of dismantling and removal of an item and rehabilitation of its location**

The cost of a fixed assets item includes, inter alia, the costs of dismantling and removal of the item and the restoration of the site on which it is located, which give rise to a liability for the entity upon acquisition of the item or as a result of the use of the item over a specific duration, other than for the creation of inventory in such period.

After the date of initial recognition, changes in the estimate of the aforesaid liability until the end of the depreciation period of the item are added to or detracted from the property in the current period. Changes in the aforesaid liability due to the passage of time are recognized in profit or loss as financing expenses.

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**j. Asset impairment**

**(1) Non-financial assets**

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each Report Date to determine whether there is any indication of impairment. Indications of impairment may include material delays in project construction, significant decrease in prices of electricity and green certificates that are not fixed, worse than expected project performance and so forth. If any such indication exists, the asset's recoverable amount is estimated.

Because future positive cash flows of each (photo-voltaic or wind) project are essentially independent of future positive cash flows of other projects, the Company considers each project as a separate cash-generating unit.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the Group discounts the estimated future operating cash flows of the project to their present value using a pre-tax discount rate that reflects the assessments by market participants of the time value of money and the risks specific to the asset, for which the estimated future cash flows from the asset were not adjusted.

When the recoverable amount exceeds the carrying amount of project assets, no impairment loss is recognized.

**k. Share-based payment**

The fair value on the granting date of share-based payment bonuses to employees which are settled with the Company's equity instruments is carried as a salary expense or capitalized to qualifying assets, in parallel with an increase in equity, over the service period when the unconditional entitlement to bonuses is obtained. The amount which is carried as an expense or capitalized to qualifying assets in respect of share-based payments which are subject to vesting conditions which constitute performance conditions that are not market conditions is adjusted in order to reflect the number of bonuses which are expected to vest. The amount which is carried as an expense or capitalized to qualifying assets in respect of a share-based payment bonus that includes performance condition that constitutes a market condition is measured according to fair value of the equity instrument as of the grant date, which takes into account market conditions. Such benefits are recognized as expenses in the income statement or capitalized to qualifying assets against an increase in retained earnings under equity, on a straight-line basis over the vesting periods of the equity instrument that was granted, with each sub-grant being treated as a separate series (graded vesting).

**l. Provisions**

A provision for lawsuits or other exposures is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is more likely than not that an outflow of resources including economic benefits would be required to settle the obligation.

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**m. Revenue recognition**

**(1) Revenues from the sale of electricity**

Revenues from the sale of electricity are carried to the income statement as they accrue over the period in which the electricity is produced. These revenues also include the sale of the electricity which is produced by facilities during the run-in and functionality testing period.

Revenues are measured at the fair value of the consideration received or receivable by the Group and are recognized in the Financial Statements to the extent that their collection is believed to be probable on the date of their recognition and provided that the amount of the revenues can be measured reliably.

The Company's revenues from the sale of electricity in Poland, which the Company transferred to a dedicated fund in accordance with the provisions of the temporary legislation in Poland to limit the electricity prices, are presented net of the electricity revenues in the statement of income.

**(2) Revenues from production of green certificates**

Revenues are measured based on the market price of the certificate at the end of the month in which they accrued against the production of electricity, are recorded against the inventory of green certificates, and are presented in a separate revenue item, revenue from the production of green certificates. The certificates inventory price in Poland is determined according to a quote from the green certificate exchange.

Regarding green certificates in respect of which the Company engaged in transactions for future sale at a fixed price (in respect of wind farms in Poland and in respect of photo-voltaic projects in the USA), revenue is recognized on the date when the certificates are produced, in the amount of the sale price which was determined in the agreement.

**(3) Revenues from the sale of electricity in Poland by virtue of tender**

Revenues from the sale of electricity in Poland, in connection with the electricity generation output which the Company won in a tender over a predetermined fixed tariff, are recognized according to the fixed tariff which was determined in the tender. Regarding the electricity capacity which is produced in excess (beyond the amount subject to the tariff tender), the revenue is recognized according to the market prices of electricity on the relevant dates of sale. For more information about electricity sale regulations in Poland by virtue of tenders, see Note 10(b)(4)(c).

**(4) Revenues from the construction of facilities for third parties**

The Group recognizes revenues from the construction of photo-voltaic facilities for third parties throughout the construction period, since it pertains to an asset which is controlled by the customer during its construction.

The revenues are recognized in accordance with the construction completion rate, which is determined according to the ratio between the costs which have materialized in respect of the construction as of the end of the Reported Period, and the total projected costs to complete the construction. The calculation of this ratio does not include costs which do not represent progress on construction.

**(5) Other revenues**

Revenues from compensation due to the unwinding of fixed price financial transactions are recorded on the signing date of the agreement in Section other income.

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n. **Leases**

**General:**

The Group customarily leases lands and building rooftops for the installation and operation of photo-voltaic systems and wind farms.

With respect to such leases, the Group recognizes a right-to-use asset against a lease liability.

**Determination of the lease period**

The lease period is the non-cancelable period regarding which the lessee has the right to use the leased property together with the periods which are covered by an option to extend the lease, if the lessee is reasonably certain to exercise that option. The probability that the options for extension will be exercised was evaluated in consideration of, inter alia, the Group's significant capital investments in the leased property (construction of electricity generation facilities), which are expected to have a significant economic benefit for the Group during the extension period, the extension of the lease period such that it overlaps with the expected operating period of the electricity generation facilities, costs pertaining to lease conclusion, the regulation framework in respect of the leased property, the location of the leased property, and the availability of suitable alternatives.

**Right-of-use asset**

The right-of-use asset is measured at cost and amortized in a straight line over the shorter period of either the lease period or the useful lifetime. The cost of a right-of-use asset on the lease commencement date is determined according to the initial measurement value of the lease liability (see below), any lease payments which were made no or before the lease commencement date, and initial direct costs. Subsequently, the right-of-use asset is measured at cost less accumulated amortization and impairment losses.

The amortization of the asset is recorded under amortization expenses and begins on the lease commencement date – the date when the lessor makes the underlying asset available for the lessee's use. The useful lifetimes of the assets which are leased by the Group are 20-23 years in Israel, 30 years in Poland, and 35 years in the USA.

**Lease liability**

Lease payments which are included in the measurement of the lease liability are comprised of the following payments:

- Fixed payments;
- CPI-linked variable lease payments which are initially measured according to the index which is available on the lease commencement date.

The lease liability is initially measured, on the lease commencement date, according to the present value of the lease payments which are not paid on the application date, discounted by the lessee's incremental borrowing rate of interest, since the discount rate implicit in the lease cannot be easily determined. In subsequent periods, the lease liability is measured at depreciated cost using the effective interest method.

The Group remeasures, using the original interest rate of the lease, the lease liability (against an adjustment for the right-of-use asset) when a change has occurred in the future lease payments which are due to changes in the index which is used to determine such payments.

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Variable lease payments not dependent on an index or rate, such as lease payments set at a percentage of revenues from sale of electricity, are not included in measurement of the lease liability and right-to-use asset. These lease payments are recognized as current expenses in the statement of income during the periods when the event took place, or when the condition for activating such payments was fulfilled.

**o. Initiation expenses**

The Company recognizes in profit or loss all of the development expenses in respect of projects that it develops until the stage in which management believes the feasibility of construction of the project has been proven. Once the project becomes feasible, the development and construction costs are capitalized to the cost of the project. A project is considered feasible when Company management estimates that it is more likely than not that the project will be realized, and that economic benefits will be generated from it in the future (see Note 2f).

**p. Taxes on income**

**(1) Overview**

Income tax comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss or are recognized directly in equity or in other comprehensive income to the extent they relate to items recognized directly in equity or in other comprehensive income.

**(2) Current taxes**

Current tax is the expected tax payable (or receivable) on the taxable income for the year, using tax rates enacted or substantively enacted at the Report Date. Current taxes also include taxes in respect of prior years.

**(3) Deferred taxes**

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Group does not recognize deferred taxes in respect of differences relating to investments in subsidiaries and joint regulations, to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future, either by way of selling the investment or by way of distributing taxable dividends in respect of the investment. Additionally, the Group does not recognize deferred taxes in respect of temporary differences which are due to asset purchase transactions which do not constitute business combinations.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the Report Date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each

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Report Date and are reduced to the extent that it is no longer probable that the related tax credit will be realized.

Deferred tax in respect of inter-company transactions which are canceled in the Consolidated Financial Statements is recognized according to the tax rate applicable to the buying company.

**(4) Offsetting of deferred tax assets and liabilities**

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle deferred tax liabilities and assets on a net basis or their deferred tax assets and liabilities will be realized simultaneously.

**(5) Tax benefits in projects in the USA and agreement with the Tax Partner in respect thereof**

Entrepreneurs which hold photo-voltaic projects in the USA are entitled, by virtue of the provisions of US law, to a tax credit (ITC – Investment Tax Credit), which can be offset against federal tax liability in the USA. Insofar as the entrepreneur does not have tax liability to offset the entire benefit, it is standard practice for the entrepreneur to engage with an entity which has tax liability, and to transfer (all or some of) the aforementioned tax credits to them, in consideration of an amount that it will invest in the project (hereinafter: "**Tax Partner**"). As the IRA Act became effective, in 2022, the developer also had the right to sell the tax credit *in lieu* of contracting with a Tax Partner (Tax Credit Transferability);

As of the Report Date and as of the Report Approval Date, the Group engaged in several agreements with the Tax Partner in accordance with the structure described above, in exchange for the transfer of most of the tax benefits in respect of the relevant project for that agreement, which mostly include a tax credit in respect of the ITC and the depreciation expenses for tax purposes on the photovoltaic facilities (hereinafter, in this subsection: "**Tax Credits**"), as well as participation in an agreed-upon proportional part of the distributable cash flows. The eligibility to participate in part of the distributable cash flows will remain in effect until the Tax Partner's rate of return on its investment, in accordance with the agreement, has been reached. After reaching the aforementioned rate of return, the Tax Partner's share in the profit and cash flows will decrease to the minimum rate specified in the agreement.

The amounts which are received from the Tax Partners are presented as a liability under Liabilities in Respect of Agreement with Tax Partner, on the statement of financial position. Amounts which are expected to be owed to the Tax Partners out of the distributable cash flows in respect of its investment in the project constitute a financial liability which is measured at amortized cost using the effective interest method. The amounts of projected tax credits which will be transferred from the project partnerships to the relevant Tax Partner constitute a non-financial liability which is carried to the statement of income as tax income from a Tax Partner, in a straight line over a period of 5 years (the period during which the Company is required to meet various conditions in order to be entitled to the tax credit), except in respect of the depreciation benefits, which are carried to the statement of income throughout the benefit period, usually 12 years.

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The Group chose not to engage with a Tax Partner in some of the projects. In these projects, the Group is entitled to receive the full tax benefit in respect of the ITC, which can be used against its taxable income or, as from 2026, sell the tax credit entitlement to third parties. The amounts of the tax credit due to the ITC is carried to the statement of income as tax income in a straight line over a period of 5 years (the period during which the Company is required to meet various conditions in order to be entitled to the tax credits).

For more information about agreements with the Tax Partners and the tax credits in the Group's projects in the United States, see 10b(2) and Note 14g below.

**q. Classification of interest, dividends and tax paid/received in the statement of cash flows**

The Group classifies cash flows in respect of interest and dividends that it receives as well as cash flows from interest received and paid by the Group as cash flows used in or provided by operating activities, excluding borrowing costs which were paid and capitalized to qualifying assets, which are presented as fixed assets, which are presented under cash flows from investing activities, consistently with the other expenses which are paid in respect of those assets. Cash flows in respect of taxes on income and indirect taxes are generally classified as cash flows used in operating activities, unless these are readily identifiable as cash flows used in investing or financing activities. Dividends that are paid by the Group are classified as cash flows from financing activities.

**New financial reporting standards, interpretations which have been published, and amendments to standards****a. Amendment to IAS 1, Presentation of Financial Statements (regarding disclosure of accounting policy)**

The amendment replaces the term "significant accounting policy" with "material information about accounting policy". Information about accounting policy is material if, when considered together with other information provided on the financial statements of an entity, it may be expected to reasonably affect decisions made by key users of the financial statements for general purposes, based on said financial statements.

The amendment also clarifies that information about accounting policy with regard to transactions, events or other non-material conditions is not material and does not require disclosure. Information about accounting policy may also be material due to the nature of transactions, events or other related conditions, even if the amounts are not material. However, not all information regarding accounting policy with respect to material transactions, events or other conditions is necessarily material.

The amendment will be applied prospectively to annual reported periods starting on or after January 1, 2023.

The Company applies the amendment as from these annual financial statements.

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**B. Amendments to IAS 1, Presentation of Financial Statements (regarding the classification of liabilities as current or non-current)**

In 2020, an amendment was published to IAS 1 regarding the classification of liabilities as current or non-current (hereinafter: the “2020 Amendment”). The amendment clarifies that the classification of liabilities as current or non-current is based on the entity’s rights which existed as of the end of the Reported Period, and is not affected by the entity’s projection regarding the realization of those rights.

The amendment removed the reference to the existence of an “unconditional right” to defer the settlement of the liability for at least 12 months after the Reported Period, and clarified that if the foregoing right to defer settlement is conditional on the fulfillment of financial covenants, the right exists if the entity is fulfilling the covenants which were determined as of the end of the Reported Period, even if the evaluation regarding the fulfillment of the covenants was made by the lender at a later date.

In October 2022, an additional amendment was published regarding the classification of liabilities with financial covenants (hereinafter: the “2022 Amendment”), which clarified that only financial covenants which the entity is required to fulfill at the end of the Reported Period, or before, affect the entity’s right to defer the settlement of a liability for at least 12 months after the end of the Reported Period, even if the fulfillment thereof is effectively in practice after the end of the Reported Period. However, financial covenants which an entity is required to fulfill on a date which is after the end of the Reported Period, do not affect the existence of that right as of the end the Reported Period.

The 2022 amendment also determines that if the entity’s right to defer the settlement of the liability for at least 12 months after the end of the Reported Period is subject to the condition that the entity must fulfill financial covenants within 12 months after the end of the Reported Period, the entity is required to provide disclosure which will allow the users of the financial statements to understand the associated risk.

The other amendments which were published as part of the 2020 amendment remain unchanged. The adoption date of the 2020 amendment and the 2022 amendment (hereinafter, jointly: the “Amendment”) was set for annual Reported Periods beginning on or after January 1, 2024. The Company chose early adoption of the amendment, beginning on June 30, 2023, in order to more adequately present its engagement in a short-term and long-term non-recourse financing agreement (for more information, see Note 7).

During the Reported Period the Company, through a dedicated corporate structure in the USA, entered into an agreement with Santander CIB for the receipt of a short term loan for the construction period, which will be converted into a long-term loan in the amount of up to USD 260 million. The construction period will be converted into a long-term loan upon and subject to the completion of the construction of the projects.

Before the adoption of the amendment to IAS 1, the foregoing construction loan was presented as a current liability, in light of the fact that the Company does not have an “unconditional” right to defer its settlement for at least 12 months after the end of the Reported Period. Following the adoption of the amendment to IAS 1, since the Company has the right to defer the settlement of the construction loan for more than 12 months after the end of the Reporting Period, and is not required to fulfill the condition of commercial operation as of December 31, 2023, the construction loan is presented as a non-current liability as of December 30, 2023, in the amount of NIS 985 million.

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**Note 4 - Cash and Cash Equivalents****a. Composition:**

	<b>As of</b>	<b>As of December 31</b>	
	<b>December 31</b>	<b>2023</b>	<b>2022</b>
	<b>%</b>	<b>NIS in thousands</b>	
Balances in banks		477,776	135,634
Money market funds (*)		-	148,755
Short term bank deposits	2.09-4.9	89,891	180,730
		<u>567,667</u>	<u>465,119</u>

(\*) Investment in short term NIS funds whose period to maturity on the investment date does not exceed 3 months.

b. The Group's exposure to credit risk, interest rate risk and foreign currency risk and a sensitivity analysis of financial assets are presented in Note 31, Financial Instruments.

**Note 5 - Short- and Long-Term Dedicated Deposit and Restricted Cash**

	<b>As of December 31</b>	
	<b>2023</b>	<b>2022</b>
	<b>NIS in thousands</b>	
Dedicated deposit (*)	3,627	34,435
Short-term restricted cash (**)	624,588	-
Long-term restricted cash (***)	9,037	57,205

(\*) As of the Report Date and as of December 31, 2022, the balance of the dedicated deposit includes dedicated cash which was received from the Tax Partner in Virginia Projects 2.

(\*\*) As of the Report Date, the short-term restricted cash balance is with respect to cash received from the Tax Partner in Virginia Projects 3 and in Adams, to be used to repay the bridging loan obtained in the Reported Period. See also Note 14g3.

(\*\*\*) As of the Report Date, the balance of long-term restricted cash mostly includes cash which the Group has deposited in debt service reserve funds, as required in accordance with the terms of the financing agreement in connection with loans which were taken from financial institutions. For additional information, see Note 14.

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**Note 6 – Trade Receivables and Income Receivable from Customers**

	<b>As of December 31</b>	
	<b>2023</b>	<b>2022</b>
	<b>NIS in thousands</b>	
Trade receivables and income receivable from sale of electricity in Israel	13,777	29,800
Trade receivables and income receivable from sale of electricity and green certificates in Poland	60,805	54,601
Trade receivables and income receivable from sale of electricity in the USA	3,886	5,519
	78,467	89,920

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**Note 7 – Green Certificates**

	<b>As of December 31</b>			
	<b>2023</b>			<b>2022</b>
	<b>NIS in thousands</b>			
	<b>Poland</b>	<b>USA</b>	<b>Total</b>	<b>Total</b>
Opening balance	22,081	343	22,424	13,926
Production during the period	60,346	8,732	69,078	55,148
Sales during the period (**)	(64,264)	(8,620)	(73,638)	(43,647)
Impairment	(12,152)	-	(12,152)	(4,083)
Effect of changes in exchange rates (*)	5,367	(36)	6,086	1,080
	11,378	419	11,798	22,424

(\*) Changes in exchange rates due to the Company's activity in Poland and the USA. The changes in exchange rates were carried to the reserve for translation differences.

(\*\*) NIS 754 thousand is due to sale of green certificates in Israel.

Additional details:

1. This item includes balances in respect of other certificates in Israel and in Poland.
2. As of the Report Date and as of the Report Approval Date, all green certificates in the USA are sold at a fixed price, for a period of 12-15 years.
3. Green certificates in Poland are sold on the dedicated power exchange at market prices, and in fixed price transactions in which the Company engages from time to time. The average sale price in 2023 and in 2022 was PLN 164.8 and PLN 145.31, respectively. For information about transactions for setting the price of green certificates, see Note 9, section b(4)(c)(7).

**Note 8 - Receivables and Debit Balances**

**a. Short term**

	<b>As of December 31</b>	
	<b>2023</b>	<b>2022</b>
	<b>NIS in thousands</b>	
Institutions	36,482	54,777
Suppliers of fixed assets	67	409
Derivative financial instruments	39,308	18,533
Prepaid expenses	11,484	6,690
Others (**)	21,120	8,468
	108,461	88,877

(\*\*) As of December 31, 2023, the balance mostly consists of accounts receivable in respect of projects in the USA and income receivable with respect to additional option exercise by employees. As of December 31, 2022, the balance primarily consists of accounts receivable with respect of projects in the USA.

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**b. Long-term**

	<b>As of December 31</b>	
	<b>2023</b>	<b>2022</b>
	<b>NIS in thousands</b>	
Derivative financial instruments	45,547	112,011
Loans to third parties (*)	9,068	7,799
Prepaid expenses	32,411	20,304
	<u>87,026</u>	<u>140,114</u>

(\*) Loan given to a previous entrepreneur in a project of the Company.

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**Note 9 – Leases (The Group as Lessee)**

**1) Overview**

The Group customarily leases lands and building rooftops for the installation and operation of photo-voltaic systems and wind farms.

**2) Right-of-use assets**

	<b>Land in Israel, including rooftops</b>	<b>Land in Poland</b>	<b>Land in the USA</b>	<b>Total</b>
	<b>NIS in thousands</b>			
<b>Cost</b>				
As of January 1, 2023	207,173	125,204	99,603	431,980
Linkage differences	1,264	746	764	2,774
Effect of exchange rate changes (*)	-	24,656	1,591	26,247
Additions	-	-	43,016	43,016
As of December 31, 2023	<u>233,846</u>	<u>154,285</u>	<u>190,001</u>	<u>578,131</u>
<b>Accumulated depreciation</b>				
As of January 1, 2023	26,674	8,952	5,367	40,993
Depreciation expenses	8,932	5,122	4,173	18,228
Effect of exchange rate changes (*)	-	7,377	91	7,467
As of December 31, 2023	<u>35,606</u>	<u>21,451</u>	<u>9,631</u>	<u>66,689</u>
<b>Depreciated cost as of December 31, 2023</b>	<u>198,239</u>	<u>132,834</u>	<u>180,370</u>	<u>511,443</u>
	<b>Land in Israel, including rooftops</b>	<b>Land in Poland</b>	<b>Land in the USA</b>	<b>Total</b>
	<b>NIS in thousands</b>			
<b>Cost</b>				
As of January 1, 2022	182,321	88,290	46,861	317,472
Linkage differences	6,308	2,441	-	8,749
Effect of exchange rate changes (*)	-	5,815	7,890	13,705
Additions	18,544	28,658	44,852	92,054
As of December 31, 2022	<u>207,173</u>	<u>125,204</u>	<u>99,603</u>	<u>431,980</u>
<b>Accumulated depreciation</b>				
As of January 1, 2022	17,807	6,597	1,896	26,300
Depreciation expenses	8,867	2,355	3,471	14,693
As of December 31, 2022	<u>26,674</u>	<u>8,952</u>	<u>5,367</u>	<u>40,993</u>
<b>Depreciated cost as of December 31, 2022</b>	<u>180,499</u>	<u>116,252</u>	<u>94,236</u>	<u>390,987</u>

(\*) The exchange rate change was carried to the reserve for translation differences

For more information regarding lease liabilities, see Note 31b(2) and 31c, Financial Instruments.

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**Note 10 - Electricity Production Systems Connected and Under Construction, and Other Fixed Assets**

a. **Composition and movement:**

	<b>Connected photo-voltaic systems</b>	<b>Connected wind systems</b>	<b>Systems under construction and development</b>	<b>Other fixed assets</b>	<b>Total</b>
	<b>NIS in thousands</b>				
<b><u>Cost</u></b>					
<b>Balance as of</b>					
<b>January 1, 2023</b>	2,103,280	1,204,085	1,813,125	22,523	5,143,013
Additions during the year (*)	103,734	1,655	2,670,684	10,119	2,786,193
Reclassified from systems under construction to connected systems	1,817,025	338,225	(2,155,250)	-	-
Derecognitions during the year	(451)	-	(11,571)	(155)	(12,177)
Effect of changes in exchange rate (**)	1,305	201,071	53,909	56	256,341
<b>Balance as of December 31, 2023</b>	<b>4,024,893</b>	<b>1,745,035</b>	<b>2,370,898</b>	<b>32,543</b>	<b>8,173,370</b>
<b><u>Accumulated depreciation</u></b>					
<b>Balance as of</b>					
<b>January 1, 2023</b>	252,850	144,387	-	9,561	406,799
Additions during the year	78,006	51,880	-	4,639	134,525
Effect of changes in exchange rate (**)	(3,219)	29,290	-	(61)	26,010
<b>Balance as of December 31, 2023</b>	<b>327,638</b>	<b>225,557</b>	<b>-</b>	<b>14,139</b>	<b>567,333</b>
<b><u>Amortized cost</u></b>					
<b>Balance as of</b>					
<b>December 31, 2023</b>	<b>3,697,256</b>	<b>1,519,479</b>	<b>2,370,898</b>	<b>18,404</b>	<b>7,606,037</b>

(\*) Includes a total of NIS 106,418 thousand in respect of borrowing costs which were discounted for systems under construction during the Reported Period, of which NIS 48,853 thousand were discounted in respect of non-specific credit.

(\*\*) Changes in exchange rates due to the Company's activity in Poland and the USA. The changes in exchange rates were carried to a reserve for translation differences.

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	Connected photo-voltaic systems	Connected wind systems	Systems under construction and development	Other fixed assets	Total
	NIS in thousands				
<b><u>Cost</u></b>					
<b>Balance as of January 1, 2022</b>	1,596,491	618,986	1,492,651	17,700	3,725,828
Additions during the year (*)	10,191	9,636	1,129,101	4,356	1,153,284
Reclassified from systems under construction to connected systems	390,541	546,839	(937,380)	-	-
Effect of changes in exchange rate (***)	106,057	28,624	128,753	467	263,901
<b>Balance as of December 31, 2022</b>	<b>2,103,280</b>	<b>1,204,085</b>	<b>1,813,125</b>	<b>22,523</b>	<b>5,143,013</b>
<b><u>Accumulated depreciation</u></b>					
<b>Balance as of January 1, 2022</b>	183,888	115,757	-	6,394	306,039
Additions during the year	61,275	26,662	-	3,167	91,104
Effect of changes in exchange rate (***)	7,687	1,968	-	-	9,655
<b>Balance as of December 31, 2022</b>	<b>252,850</b>	<b>144,387</b>	<b>-</b>	<b>9,561</b>	<b>406,798</b>
<b><u>Amortized cost</u></b>					
<b>Balance as of December 31, 2022</b>	<b>10,191</b>	<b>9,636</b>	<b>1,129,101</b>	<b>4,356</b>	<b>1,153,284</b>

(\*\*) Includes a total of NIS 23,714 thousand in respect of borrowing costs which were discounted for systems under construction, of which NIS 14,999 thousand were discounted in respect of non-specific credit.

(\*\*\*) Changes in exchange rates due to the Company's activity in Poland and the USA. These changes are carried to the reserve for translation differences.

For information regarding the depreciation rates, depreciation methods and residual values, see Note 3e(3).

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Presented below are main details regarding projects which are included under the items for connected electricity generation systems and systems in construction and development stages as of the Report Date (the figures are as of the Report Date, NIS in millions, unless stated otherwise):

**Connected electricity generation systems**

Presented below is a review of the projects which are included under Connected Electricity Generation Systems as of the Report Date:

	Photo-voltaic projects in Israel					Photo-voltaic projects in the USA			
Electricity production projects	Medium and small projects	Neot Hovav Project	Systems of the First Competitive Process	Systems of the Second Competitive Process	Systems of the third and fourth competitive proceedings (3)	Virginia Projects 1	Virginia Projects 2	Virginia Projects 3	Pennsylvania
Technology	Photo-voltaic	Photo-voltaic	Photo-voltaic	Photo-voltaic	Photo-voltaic	Photo-voltaic	Photo-voltaic	Photo-voltaic	Photo-voltaic
Country	Israel	Israel	Israel	Israel	Israel	USA	USA	USA	USA
Status	In commercial operation since 2010-2011	In commercial operation since December 2014	In commercial operation since Q4 2018	In commercial operation since Q1 2020	In commercial operation since 7/21-10/22 Process 3 – in commercial operation since 10/22 Process 4 – in commercial operation since Q4 2019 and Q1 2020	In commercial operation since the Q2 and Q3 of 2020	In commercial operation since the Q2 of 2021	In commercial operation since end of 2023	In commercial operation since end of 2023
Installed capacity	3.2MWp	37.5MWp	90MWp	62MWp	99MWp: process 3, 38MWp: process 4	82MWp	142MWp	312MWp	104MW
% Legal ownership	100%	100%	97%	70%	70%	100%	100%	100%	100%
% of results and accounting cash flow (1)	100%	100%	97%	91%	91%	100%	100%	100%	100%
Revenue structure	Tariff per 1KWh for 2023: NIS 1.98	Tariff per 1KWh for 2023: NIS 0.698	Tariff per 1KWh for 2023: NIS 0.218	Tariff per 1KWh for 2023: NIS 0.2145	Tariff per 1KWh for 2023: NIS 0.195	Electricity – In accordance with the actual sale to the local electric company, in parallel with a 12 year fixed price transaction. Green certificates in accordance with the 12 year fixed price sale agreement	Electricity – Agreements for the sale of electricity at a fixed price for a period of 12-15 years, or sale to the electric corporation at market prices, in parallel with a 6 year fixed price transaction. Green certificates – 12-15 year fixed price sale agreement.	Electricity – Agreements for sale at a fixed price to the Electric Corporation or to the end consumer, for terms of 15 and 20 years. Green certificates – sale at a fixed price over a period of 12 years.	Electricity – Long-term agreement, over 20 years, for sale at a fixed price to the end consumer. Green certificates – Long-term sale agreement at a fixed price.
Depreciated cost (NIS in millions)	11	181	224	172	398	376	588	2,066	427
Presented under balance sheet item	Connected electricity generation systems	Connected electricity generation systems	Connected electricity generation systems	Connected electricity generation systems	Connected electricity generation systems	Connected electricity generation systems	Connected electricity generation systems	Connected electricity generation systems and systems under	Connected electricity generation systems and systems under

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Photo-voltaic projects in Israel						Photo-voltaic projects in the USA			
Electricity production projects	Medium and small projects	Neot Hovav Project	Systems of the First Competitive Process	Systems of the Second Competitive Process	Systems of the third and fourth competitive proceedings (3)	Virginia Projects 1	Virginia Projects 2	Virginia Projects 3	Pennsylvania
								construction and development	construction and development
<b>Revenues in 2023 (NIS in millions)</b>	9.6	45.9	33.7	21.5	37.5	14.8	26.0	1.5	-
<b>Revenues in 2022 (NIS in millions)</b>	8.6	44.4	31.1	20.8	25.2	18.3	23.2	-	-
<b>Additional information</b>	See Note 10b(1)	See Note 10b(1)	See Note 10b(1)	See Note 10b(1)	See Note 10b(1)	See Note 10b(2)	See Note 10b(2)	See Note 10b(2)	See Note 10b(2)
<b>Details regarding project finance</b>	See Note 14.c	See Note 14.c	See Note 14.c	See Note 14.c	See Note 14.c	See Note 14.c	See Note 14.c	See Note 14.c	See Note 14.c

Electricity production projects	Wind projects in Poland					Photo-voltaic project in Poland
	Banie Project 1+2	Hawa project	Banie Stage 3	Sepopol	Banie Stage 4	Lubanowo
<b>Technology</b>	Wind	Wind	Wind	Wind	Wind	Photo-voltaic
<b>Country</b>	Poland	Poland	Poland	Poland	Poland	Poland
<b>Status</b>	In commercial operation since December 2015 – June 2016	In commercial operation since June 2016	In commercial operation since Q3 of 2022	In commercial operation since Q3 of 2022	In commercial operation since Q2 of 2023	As of the Report Approval Date, the project awaits a fixed generation license
<b>Installed capacity</b>	106MW	13.2MW	82MW	44MW	56MW	12MW
<b>% Legal ownership</b>	100%	100%	100%	100%	100%	100%
<b>% effective stake (2)</b>	100%	100%	100%	100%	100%	100%
<b>Revenue structure</b>	Revenues from the sale of electricity and green certificates, based on the price on the Polish Power Exchange or in fixed price agreements.		During the first 5 years, most of the output will be at market prices (including price setting transactions). Subsequently, and over a period of 10 years, a CPI-linked fixed tariff		During the first 3 years, most of the output will be at market prices (including price setting transactions). Subsequently, and over a period of 12 years, a CPI-linked fixed tariff	Sale on the market (including fixed price transactions) and/or CPI-linked tender price

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Electricity production projects	Wind projects in Poland					Photo-voltaic project in Poland
	Banie Project 1+2	Itawa project	Banie Stage 3	Sepopol	Banie Stage 4	Lubanowo
Depreciated cost (NIS in millions)	509	60	420	233	298	42
Presented under balance sheet item	Connected electricity generation systems	Connected electricity generation systems	Connected electricity generation systems	Connected electricity generation systems	Connected electricity generation systems	Systems under construction and development
Revenues in 2023 (NIS in millions)	294	19	68	43	57	4
Revenues in 2022 (NIS in millions)	210	14	56	20	33	-
Additional information	See Note 10b(4)	See Note 10b(4)	See Note 10b(4)	See Note 10b(4)	See Note 10b(4)	See Note 10b(4)
Details regarding project finance			See Note 14.c	See Note 14.c	See Note 14.c	See Note 14.c

1. The stake in results and in cash flows includes taking into account preferred shareholder loans or preferred shares which were provided by the Company. Excludes the Tax Partner share of cash flows (non-controlling interest). For more information see Note 14.
2. The above information includes projects with a capacity of 23MW from competitive proceeding 3-4, the construction of which was completed, and which are awaiting connection to the power grid from the electric corporation. These projects are classified under Systems Under Construction and Under Development.
3. The above information includes a project whose construction was completed as of the Report Date, but was only partially connected to the power grid (connected capacity of 90MWp, out of 150MWp). As of the Report Approval Date, all facilities were fully connected to the power grid. These projects are classified under Systems Under Construction and Development and under Systems in Operation, based on the connection status as of the Report Date.
4. On the statement of financial position, the project is classified under Systems Under Construction, because as of the Report Date, the project awaits a fixed generation license.

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**Systems for the production of electricity under construction and in pre-construction**

Presented below is a review of projects under construction and in pre-construction, which are included under Systems Under Construction and Under Development as of the Report Date:

Electricity production projects	Israel			Poland	USA
	Clean wind energy	First competitive proceeding for ultra-high voltage systems	Photo-voltaic facilities including storage	30MWp	Backlog under construction
Technology	Wind	Photo-voltaic	Photo-voltaic including storage capabilities	Photo-voltaic	Photo-voltaic
Country	Israel	Israel	Israel	Poland	USA
Status	Under construction	Under construction	Under construction	Under construction	Under construction
Capacity	104MW	87MW	127MW (Including 406MWh of storage)	30MWp	210MWp
% Legal ownership	81%	70%	100%	100%	100%
% of results and accounting cash flow (1)	(3) 100%	91%	100%	100%	100%
Revenue structure	Sale to the Electric Corporation at a CPI-linked tariff of NIS 0.293 per 1KWh generated, for 20 years from start of commercial operation	CPI-linked fixed tariff for 23 years. Produced 1KWh, at a tariff of NIS 0.155 (4)	In accordance with the power purchase agreements with the providers and sale to the customer at a CPI-linked fixed tariff, for 23 years after the date of commercial operation	Sale on the market (including fixed price transactions) and/or CPI-linked tender price	Electricity – Long-term agreement for sale, at a fixed price, to the Electric Corporation or to the end consumer, or sale to the Electric Corporation at market prices, in parallel with a long-term hedging transaction. Green certificates – Long-term sale agreement at a fixed price
Cost as of the Report Date (NIS in millions)	543	226	355	-	175
Additional information	See Note 10b(5)	See Note 10b(4)	See Note 10b(1)	See Note 10b(3)	See Note 10b(2)
Project finance or Tax Partner, as applicable	See Note 14.c	See Note 14.c	See Note 14.c	See Note 14.c	See Note 14.c

- (1) The stake in results and cash flows includes taking into account preferred shareholder's loans or preferred shares which were provided by the Company.
- (2) For more information regarding project financing and the Tax Partner, as applicable, see Note 14 below.
- (3) The Company provides financing for the project according to an interest rate of 17% per year. In accordance with the agreements between the shareholders which are in effect as of the Approval Date of the Report, the Company is expected to first receive the capital which it invested, plus 17%. After the repayment of the entire financing amount, the balance of distributable cash flows, if any, will be distributed to the owners in accordance with their respective shares
- (4) Until the date of commercial operation, the winning tariff was linked to the exchange rate and the CPI. On the winning date, the tariff was NIS 0.156 per installed 1KWp.
- (5) As of the Report Approval Date, the tariff is NIS 0.303.

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- b. **Additional information regarding the main projects in the Photo-voltaic Segment and in the Wind Energy Segment, beginning from the advanced development stage, which are included under the items for connected electricity generation systems and systems under construction and development, as of the Report Date:**

**(1) Projects in the Photo-voltaic Segment in Israel**

From July 2016 to July 2020 (the “**Exclusivity Period**”), the Company’s activity in the Photo-voltaic Segment in Israel was performed through the Israel Joint Venture in light of the undertaking of the Company and the Entrepreneurial Company with which it formed the Israel Joint Venture, to operate in the Photovoltaic Segment in Israel exclusively through the Joint Venture (unless they agreed otherwise). Since July 2020, activities are only being promoted through the activity of the Israel Joint Venture if they involve the promotion of projects under quotas which the Company has won, as part of the activities of the Israel Joint Venture, during the Exclusivity Period, and any new activity in the Photo-voltaic Segment is being promoted by the Company independently. For more information regarding the joint venture and the Company’s development activities in the Photo-voltaic Segment in Israel, see Note 15a(1).

**(a) Overview**

As of the Report Approval Date, all Company projects in the Photo-voltaic Segment in Israel in commercial operation, are based on regulations which are published by the Electricity Authority, which stipulate that projects owned by the Company are entitled to a fixed tariff for periods of 20-23 years, CPI-linked, and in reliance on the tariff by virtue of which the projects were built (a “feed in tariff” quota or winning a fixed tariff for a quota in a competitive proceeding over tariffs) (“**Tariff Regulation**”). In accordance with an announcement of the Electricity Authority, beginning in 2020, competitive proceedings for guaranteed tariffs for the construction of facilities in the Photo-voltaic Segment in Israel including storage capabilities. Pursuant to a regulation issued by the Electricity Authority to open up the electricity market, as from January 1, 2024 a market model is applied in Israel, whereby generation and storage facilities connected and/or integrated into the distribution grid may attribute the generation facility they own to a private provider to sell directly to end consumers, as part of commercial agreements between project companies and private providers, for a term and at an electricity price to be agreed by the parties in the commercial agreement. For more information about agreements contracted by the Company with a private provider under the market model, see Note 10 below.

**Land ties** – The projects are being built on areas which are leased for periods of up to 25 years. As part of the above, in certain cases, the land owners are offered to actively participate as partners in the project, at a variable rate (as owners or as rights holders entitled to the project’s distributable cash flows), with the Company holding control of the projects.

**Financing** – The projects which are built by the Company as part of its activity in the Photo-voltaic Segment in Israel are mostly financed through project finance on a non-recourse basis, at a rate of 80-85% of the total construction cost of the projects (including payments to related parties). For more information regarding the Company’s series of financing agreements, see Note 14c.

**Construction and operation** – The planning, construction and operation of the projects is done through an operation and construction infrastructure which the Company has created, which provides services for all of its owned photo-voltaic projects, including those with integrated storage, owned by the Company. As part of the above, the Company engages, when necessary, with appropriate subcontractors for the execution of the works in the field, and provides performance guarantees and a guarantee for the operating services to secure the proper operation of the projects which it builds and operates, according to the standard practice in this segment. The construction and operation services provided by the Company may be priced according to the cost of construction and/or operating services, plus a margin according to the standard industry practice.

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**(b) Additional details regarding projects in the commercial operation stage in the Photo-voltaic Segment in Israel**

- 1) Winning projects in the third and fourth competitive proceedings (up to 137MWp):** As of the Report Approval Date, the construction of all 17 projects addressed in these quotas has been completed, and the commercial operation of 15 of those facilities has commenced (114MWp). Two projects with a capacity of 23 MW from competitive proceeding 4, the construction of which was completed, and which have been connected to the power grid, but without actual electricity flow.

**(c) Additional details regarding projects under construction and in pre-construction in the Photo-voltaic Segment in Israel**

**1. Julis ultra-high voltage project with a capacity of 87MWp**

As of the Report date, the Company is in construction of the Julis project, with capacity of 87MWp, promoted by the Company through the Israel Joint Venture. The project is being promoted as a national infrastructure project by virtue of a guaranteed tariff quota which the Company won in the first competitive proceeding for ultra-high voltage which was published by the Electricity Authority.

In July 2023, an agreement was signed to finance the project at an initial amount of up to NIS 255 million. For more information see Note 11 to the Consolidated Financial Statements.

As of the Report Date, the Company has recognized assets amounting to NIS 226 million in respect of this project, which were recorded under Systems Under Construction and Under Development.

**2. Construction and advanced development of photo-voltaic facilities with integrates storage (up to 127MWp and 406MWh): projects in the storage segment:**

In the Reported Period and as of the Report Approval Date, the Company is in construction of high-voltage facilities with total capacity of 104MWp, with integrated storage with total capacity of 318MWh; The Company is also in advanced development stages of facilities with total capacity of 23MWp, with integrated storage with total capacity of 88MWh. This is pursuant to (i) The Company being awarded a guaranteed tariff of NIS 0.1745 per KWh generated, linked to the CPI (the linked tariff, as of the Report Date, is NIS 0.1944) for photo-voltaic capacity of 96MWp and storage capacity of 358MWh under competitive proceeding 2 (storage), and (ii) The Company being awarded a tender for construction of a photo-voltaic facility with capacity of 30MWp with integrated storage with capacity of 48MWh with a Government entity, at a tariff of NIS 0.1919 per 1 KWh generated, linked to the CPI, for a term of 24 years.

The Company is required to construct the facilities pursuant to competitive proceeding 2 (storage), no later than April 2025, subject to potential extension of this deadline at the discretion of the Electricity Authority.

In the Reported Period, and in light of the Company's decision to assign the projects it will build by virtue of competitive proceeding 2 (storage) to the market model regulation, the Company engaged, through wholly owned corporations, in power purchase agreements with Electra Power Supergas Ltd. (the "Provider"), with respect to 6 projects under construction as part of this competitive proceeding. As part of the

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agreements, and subject to the approval of the assignment of the facilities to the market model arrangement, instead of the competitive proceeding, once these facilities are put into commercial operation, the Company undertook to sell to the Provider all of the actual electricity generated and the entire storage capacity of those projects, at electricity prices which are significantly higher than the winning tariff to which the projects were entitled under the competitive proceeding. The agreements are in effect for 20 years after the commencement date of the provision of electricity in each of the projects, and involved the provision, by the parties' parent companies, of mutual guarantees to secure the project companies' undertakings by virtue of the power purchase agreements. In accordance with the terms of the market regulation, the facilities can be assigned to the regulation only after their construction has been completed, and after they have fulfilled all of the conditions and undertakings in accordance with the provisions of competitive proceeding 2 (storage).

As of the Report Date, the Company has recognized assets amounting to NIS 323 million in respect of this project, which were recorded under Systems Under Construction and Under Development.

In March 2024, an agreement was signed to finance the photo-voltaic facilities with an aggregate capacity of 96MWp and total storage capacity of 358 Mwh, at an initial amount of up to NIS 480 million. For more information see Note 11 to the Consolidated Financial Statements.

**3. Sale of Company share of Granot project (Company share: 1.7MWp)**

On February 9, 2022, a transaction was closed which involved the sale of all of the Company's interests in Granot Energix Solar Projects Limited Partnership to Meshek Energy Renewable Energies Ltd. (hereinafter: "**Meshek Energy**"). As part of the above, the Company sold to the buyer its share in 5 photo-voltaic systems with a total capacity of 3.4MWp (Company's share: 1.7 MWp), in consideration of NIS 25.4 million. As a result of the transaction the Company recognized, in the financial statements for 2022, profit in the amount of NIS 18 million, which was carried to Capital Gain from Sale of Investee Partnership, in respect of which tax expenses in the amount of NIS 4 million were recognized. Prior to the transaction date, the Granot Partnership was presented in the Financial Statements according to the equity method.

**(2) Projects in the Photo-voltaic Segment in the USA**

Prior to April 2023, the Company operated in the USA through a joint venture with a local developer, which was 58% owned by the Company ("**USA Joint Venture**"), or independently for projects wholly-owned (100%) by the Company. Since April 2023, all Company operations in the USA are wholly-owned (100%) by the Company. For more information about acquisition of the local developer's interest, see Note 15a(3).

**(a) Overview**

- 1) The Company's activity in the Photo-voltaic Segment in the USA is based on revenues from the sale of the electricity which will be produced in the Company's projects, and from the sale of renewable energy certificates (RECs). Electricity and green certificates can be sold at market prices or within the framework of long-term engagements, including by way of engagement in price hedging transactions or future sale transaction at fixed prices, based on undertakings regarding scope of production (shape), or on an as-generated basis. Additionally, in certain cases it is possible to receive additional income in exchange for a commitment regarding the electricity generation system's capacity, towards the local electric company.

Photo-voltaic projects in the USA may also be entitled to a federal tax credit (Investment Tax Credit – ITC) at a rate of 30%-50% of the total construction costs of those projects, depending on the fulfillment of criteria which were updated during the

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Reported Period within the framework of the Inflation Reduction Act of 2022, as specified below. In order to realize the tax credit, the Company contracts with Tax Partners who, in return for investing in the project, benefit *inter alia* from the tax credit. The Company may also sell to third parties the tax credit it is eligible for. For more information, see also Note 29c. For more information regarding the agreement with the Tax Partner, see Note 3p(5). Note 14. For more information about negotiations regarding strategic collaboration for sale of electricity, green certificates and provision of Tax Partner investment, see Note 15 below.

- 2) **Development operations, contracting power purchase agreements and Tax Partner** – The Company-owned project backlog is based on projects acquired by the Company in various stages of development, or projects fully developed by the Company (Greenfield). For each project, based on the development stage it is in, the Company acts to obtain all approvals and permits required for the project and to sign all agreements required for development, construction and operation of the project (including, as required, contracting agreements to sell electricity by way of direct selling and/or by contracting to hedge electricity prices along with selling electricity to the grid at market prices).
- 3) **Land ties** – The projects are being built on areas which are leased for periods of up to 35 years, or on land which is owned by the Group.
- 4) **Financing** – Several alternatives to project finance exist in the United States. As of the Report Date, the Company’s project finance in the United States is implemented through engagements with Tax Partners, as described above, and through Back Leverage financing for projects owned by the Company. For more information, see Note 14 below.
- 5) **Construction and operation** – The planning, construction and operation of projects owned by the Company is done through an operation and construction unit which the Company created in the United States, which provides services for all of its owned projects, and which engages, if necessary, with appropriate subcontractors to perform the works on the ground.
- 6) **Passing of the Inflation Reduction Act**  
 In August 2022 the Inflation Reduction Act of 2022 entered into effect, which established, inter alia, the provision of long-term economic incentives for the promotion of climate and renewable energy programs, with an investment in the amount of USD 369 billion, including in the Company’s fields of activity, as an update to the series of incentives which were in effect before then. The program includes, inter alia, an extension of eligibility for the ITC tax benefit for an additional 10 years at a rate of 30%, the possibility to increase the ITC tax benefit by an additional rate of up to an additional 20% of the total construction costs for projects in the renewable energy segment which meet the criteria stipulated by law, and providing an option to trade tax credit eligibility *in lieu* of requiring a Tax Partner (Tax Credit Transferability). As of the Report Approval Date, the binding regulations that govern the terms and conditions for realizing the increased ITC tax credit rate with respect to using local (US made) equipment have yet to be issued.

**(b) Additional details regarding projects in the commercial operation stage (total capacity of 224MWp) -**

- 1) **Virginia Projects 1 with a capacity of 82MWp** – The first series of projects which the Company built in Virginia, USA, which has been in commercial operation since August 2020.

Presented below are more information regarding agreements to guarantee electricity prices and the engagement with a Tax Partner in connection with the following projects:

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- a. **Guaranteeing the electricity prices from the projects (hedging transaction):** In August 2019, the Company engaged with Shell Energy North America (US), L.P in a long-term agreement to hedge electricity prices in respect of 80% of the project's expected production capacity, and the sale of all green certificates from the project, for a period of 12 years, beginning in May 2020. The actual sale of all of the electricity which is produced in those facilities will take place in accordance with agreements which were signed vis-à-vis the local electric company, over 13 years, at market prices.  
The Company is accounting for the hedging transaction vis-à-vis Shell as a cash flow hedge. For details, see Note 31.
- b. **Agreement with Tax Partner** – The Company entered into an agreement with Morgan Stanley as the Tax Partner for Virginia Projects 1. As part of the above, the Tax Partner provided a total of USD 47 million in respect of the construction cost of Virginia Projects 1, against the receipt of interests in the projects, according to the standard practice for transactions of this kind, mostly including the federal tax benefit (ITC), depreciation expenses for tax purposes in respect of the projects, and part of the distributable cash flows from the project. The Tax Partner's funds were used to recover capital which the Company provided to finance the construction of the projects. For additional details regarding the agreement with the Tax Partner, see Note 14.
- 2) **Virginia Projects 2, with capacity of 142MWp** –  
These consist of 6 photo-voltaic facilities with total capacity of 142MWp, constructed and connected to the grid in 2022. Below is additional information regarding power purchase agreements and contracting with a Tax Partner in connection with the above projects:
- a. **Guaranteed electricity prices (electricity sale agreements / hedging transaction):** 12-15 year agreements are in place for 3 of the 6 projects, for the sale of all of the electricity and green certificates which will be issued in respect of the production of electricity in those projects, vis-à-vis the local electric company or another end consumer. In respect of the other projects, the Company engaged with the local electric company in transactions for the sale of the green certificates over 12 years, and with a leading energy company in a fixed price electricity agreement (in respect of 80% of the projects' expected production capacity), for a period of 6 years.
- b. **Agreement with Tax Partner** – In May 2021, the Company entered into an agreement with Morgan Stanley as the Tax Partner for 5 of the 6 projects in Virginia Projects 2. As part of the above, the Tax Partner provided a total of USD 55 million in respect of the construction cost of Virginia Projects 2, against the receipt of interests in the projects, according to the standard practice for transactions of this kind, mostly including the federal tax benefit (ITC), depreciation expenses for tax purposes in respect of the projects, and part of the distributable cash flows from the project. The Tax Partner's funds were used to recover capital which the Company provided to finance the construction of the projects. For more information regarding the agreement with the Tax Partner, see Note 14.

For more information about a Back leverage financing transaction amounting up to USD 70 million in lieu of equity in respect of Virginia Projects 1 and Virginia Projects 2, see Note 14d(2).

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**3) Virginia 3 and PA1 Projects 3 with total capacity of 412MWp**

These consist of 5 photo-voltaic facilities with total capacity of 312MWp in Virginia, and the Company's first project in Pennsylvania with capacity of 104MWp, whose construction was completed in the reported period and all of which are in commercial operation as of the Report Approval Date. Below is additional information about contracts with respect to these projects:

- 1. Project in Pennsylvania with capacity of 104MWp** – In the first quarter of 2022, the Company entered into a transaction to acquire the project, which closed in April 2022, for total consideration amounting to USD 3.6 million, which has been paid in full. The project has a power purchase agreement with the City of Philadelphia for a period of 20 years. The project is also entitled to revenues from the sale of RECs which will be issued in respect of the production of electricity.
- 2. Contracting power purchase agreements (power purchase agreements / hedging transaction)** – In 2022, the Company entered into agreements for the sale of all of the electricity and green certificates which will be issued in respect of the production of electricity (on an "as generated" basis), for all five projects (other than the Pennsylvania project), with a capacity of 312MWp. The agreement is vis-à-vis the final consumer and local electric company for periods of 12, 15 and 25 years.
- 3. Contracting with Tax Partner** – In the Reported Period, the Company entered into an agreement with Morgan Stanely as Tax Partner for the 6 projects of Virginia 3 and PA1, whereby the Tax Partner would invest in total USD 280 million. This investment amount reflects a 40% ITC tax credit for one project and 30% for the other projects. The final amount invested by the Tax Partner may increase by up to USD 100 million, depending on the ITC tax credit rate for which the projects would actually be eligible (depending on provisions of regulations yet to be made public). In the Reported Period, USD 179 million was provided with respect to completion of construction of all the facilities. The Company believes that the balance of the Tax Partner's investment should be received in the coming weeks. For more information see Note 11 to the Consolidated Financial Statements.
- 4. Financing transaction for bridging loan for Tax Partner investment and Back Leverage, amounting up to USD 510 million** – For more information about a Back Leverage financing transaction for projects constructed in the reported period as part of Virginia 3 and PA1, see Note 14d(2).

As of the Report Date, the Company has recognized assets amounting to NIS 2,494 million in respect of part of the systems yet to be in commercial operation, recognized under Systems Under Construction and Under Development.

**(c) Additional details regarding projects under construction and in pre-construction (total capacity of 208MWp)** – These consist of 5 projects for construction of photo-voltaic facilities. Below is information about Company transactions and contracting with respect to projects under construction and/or in pre-construction:

- 1. Project with capacity of 65MWp in Virginia** – In the first quarter, during the Reported Period, the Company engaged with the largest renewable energy company in the United States in an agreement according to which the Company acquired a project with a capacity of 65MWp in Virginia, for consideration amounting to USD 7.5 million. Construction of this project started, after obtaining all required approvals for its construction.

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2. **Project with capacity of 76MWp in Pennsylvania** – In the fourth quarter, in the Reported Period, the Company signed an agreement with a top European energy company, to acquire a project with capacity of 76MWp, for consideration amounting to USD 11 million. Construction of this project started, after obtaining all required approvals for its construction.
3. **Agreements for sale of electricity and investment by Tax Partner** – As part of the Company's preparations for the construction of the projects which are included in this series, during the Reporting Period the Company signed agreements regarding the sale of electricity and green certificates which will be issued in respect of electricity production (on "as generated" basis) with one of the energy companies in Virginia, in respect of three projects with an aggregate capacity of 70MWp, for 20 years. The Company designates the sale of electricity and green certificates from the other projects for contracting with a strategic partner, should binding agreements be reached (see Note 15 below), or as part of custom agreements to be sold for sale of electricity and green certificates and realization of the ITC tax credit.

As of the Report Date, the Company has recognized assets amounting to NIS 300 million in respect of these projects, recognized under Systems Under Construction and Under Development.

- (d) **Additional details regarding projects in advanced development stages (total capacity of 317MWp)** – The Company is acting to obtain all required approvals for readiness / start of construction of these projects in 2024. Other than for projects where an power purchase agreement has already been signed as of the Report Approval Date, the Company designates the sale of electricity and green certificates from the other projects for contracting with a strategic partner, should binding agreements be reached (see Note 15 below), or as part of custom agreements to be sold for sale of electricity and green certificates and realization of the ITC tax credit.

**(e) Other contracts**

- 1) As of the Report Approval Date, the Company is in negotiations to establish long-term strategic collaboration on future Company projects in the USA, with capacity exceeding 1GW, expected to be put into commercial operation as from 2024 (for which no agreement to sell electricity has been signed). This collaboration would include the sale of electricity and green certificates generated by these Company projects, and a commitment by the strategic partner to provide the ITC Tax Partner investment in these projects. For more information see Note 15.
- 2) Agreement to acquire 2 projects in Pennsylvania, with capacity of **160MWp and 45MWp** – The Company has signed an agreement with a local developer, to acquire a project for construction of a photo-voltaic facility with capacity of 160MWp, for consideration amounting to USD 9.4 million, plus USD 8.3 million with respect to reimbursement of costs of connection to the grid, equipment and other development expenses, and with capacity of 45MWp, for consideration amounting to USD 3 million, plus USD 2 million with respect to reimbursement of costs of connection to the grid and purchase of equipment, payable on the set date, subject to closing of the acquisition transaction. These two projects have existing agreements in place for sale of electricity to a major US company, as well as the key permits required for start of construction of these projects. Closing of the project acquisition is subject to signing a revised power purchase agreement, at terms beneficial to the Company.

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- 3) As of the Report Approval Date, the Company is in multiple other negotiations to purchase several projects in various development stages in the PJM network.

For more information about projects under development in the USA and contracts, see Note 15.

For more information regarding the Company's activity in the USA, and the terms of the activity within the framework of the Joint Venture, see Note 15a(3).

**(f) Panel purchase agreement with First Solar -**

For details regarding the Company's engagement in agreements to purchase panels from First Solar, which are recognized under the item for systems under construction and initiation in the financial statements, see Note 15(a).

**(3) Projects in the Photo-voltaic Segment and in the Storage Segment in Poland**

**1. Photo-voltaic facilities:**

**(a) Overview:**

The sale of electricity from projects in the Photo-voltaic Segment in Poland is done in accordance with agreements for the sale of the electricity to the relevant market players, or by virtue of the terms of the tariff tender-based regulation. For more information regarding tariff tenders, see Note 9b(4).

**(b) Additional information regarding projects in commercial operation**

For details regarding temporary legislation in Poland for determination of a price cap for electricity generated from renewable energy sources in the period from December 1, 2022 to December 31, 2023, see Note 9b(4)(b) below.

**(c) Additional information regarding projects under construction and/or in pre-construction:**

As of the Report Date, the Company is in pre-construction of a photo-voltaic project in Poland, with capacity of 30MWp. The Company intends to work to sell the electricity which will be produced in the project on the free market, or in accordance with a long-term power purchase agreement.

**(d) Additional information regarding projects under advanced development**

**Project for construction of photo-voltaic facility with capacity of 65MWp** – The Company has contracted with a local developer an agreement to acquire a project, for construction of a photo-voltaic facility with capacity of 65MWp, for consideration amounting to PLN 10.5 million. The project is authorized for connection to the power grid in Poland. As of the Report Approval Date, the Company is striving to improve the project plans.

**(e) For more information regarding the series of initiated projects in the Photo-voltaic Segment in Poland, see Note 15(3).**

**2. Additional information about Company operations in the Storage Segment in Poland:**

- (a) Overview:** The electricity market in Poland allows for multiple different models for operation of stand-alone storage facilities, including a model based on revenues for capacity provided by the storage facility for electricity flow into the grid, as well as revenues from price differences between charging and discharging electricity in the storage facility (arbitrage). Revenues from capacity depend on award of an annual

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tender by the power grid administrator in Poland (PSE). Winning bidders are entitled to a uniform price for capacity to provide electricity on demand from the grid administrator. As of the Report Date, the Company is considering multiple potential models for operation of the storage facilities, and is preparing to bid on the next capacity tender, scheduled for December 2024.

**(b) Additional information regarding projects under advanced development in the Storage Segment:**

In the Reported Period, the Company has developed and promoted its first storage project in Poland (Greenfield), with capacity of 48MWh, as a stand-alone storage project, expected to be directly connected to the grid managed by the Company in Poland (DSO). After this project has been awarded an environmental resolution and a construction permit, the Company intends to bid on the capacity tender scheduled for December 2024, and to start project construction in the coming months.

(c) For more information regarding projects under development in the Storage Segment in Poland, see Note 15(3).

**(4) Projects in the Wind Energy Segment in Poland****(a) Overview**

The Company's activity in the Wind Segment in Poland is based on various regulations, depending on the dates of development and construction of the projects:

The Company has 2 wind farms with a capacity of 119MW, which are subject to the provisions of the regulation which was in effect in Poland until the end of June 2016 (the "**Previous Regulation**"). In accordance with the terms of the previous regulation, these projects are also eligible, in addition to the sale of electricity which they produce, to receive green certificates which are traded on the green certificates exchange, for a period of 15 years after the date when the wind farm becomes in commercial operation. The Company also has 3 wind farms with a capacity of 182MW which were built by virtue of a tariff tender-based regulation which was published by the Polish Electricity Authority, after it won a tender for guaranteed tariff for electricity generation. In accordance with the tender conditions, each of the wind farms is entitled, upon commercial operation, to a guaranteed (CPI-linked) tariff, for 15 years, in respect of electricity output which was submitted for the tender. The remainder will be sold on the free market and/or under power purchase agreements and/or fixed price financial transactions. For more information, see Section C1 below.

**Land ties** – In general, the projects are being built on areas which are leased for periods of up to 30 years, or on land which is owned by the Company.

**Financing** – The Company mostly works to receive project financing on a non-recourse basis to finance the wind farms which it owns in Poland. The financing is provided to SPV's which hold the wind farms, at a rate of up to 80% of the total construction cost of the projects. For more information regarding the Company's series of financing agreements, see Notes 14d(3) and 14d(4).

**Construction and operation** – The construction and operation of the projects is performed through the construction and operation infrastructure established by the Company in Poland. For the purpose of building the wind farms in Poland, the Company engages with civil work contractors, and a turbine provider which is also responsible for operating the turbines over 20-25 years.

**Energix – Renewable Energies Ltd.****Notes to the Consolidated Financial Statements****(b) Temporary legislation to limit electricity prices in Poland:**

In light of the gas crisis and the high electricity prices in Europe, and the European Union's decision to adopt a cap on the electricity prices which may be received by certain electricity producers in EU countries, legislation was adopted in Poland according to which, in respect of the period from December 1, 2022 to December 31, 2023, the sale of electricity was subjected to a price cap of between: (i) PLN 345 per 1MWh of electricity produced from wind energy; and (ii) PLN 405 per 1MWh of electricity produced from photo-voltaic facilities. In accordance with legal advice which the Company received, the legislation applies to the physical sale of electricity, and beginning on March 1, 2023, also to financial engagement and sale of GOOs depending on the physical production of electricity. Accordingly, any difference between the actual price of electricity and the price cap was transferred to a dedicated fund which will be used by the government of Poland to reduce electricity prices for end consumers. In light of the foregoing, the Company recorded a decrease in revenue during the Reporting Period in the total amount of NIS 42 million, in respect of the sale of electricity in 2023, for electricity transferred to the designated fund.

**(c) The Company's power purchase agreements and updates thereto during the Reported Period, engagement in fixed price transactions**

- (1) Pursuant to power purchase agreements contracted by the Company and a local broker, electricity will be sold according to the price of electricity on the local power exchange, or according to a fixed price which will be determined as part of a fixed price transaction which will be executed between the parties, as chosen by the Company, after deducting the adjustments as specified in the agreement, including adjustments in respect of the wind farm's electricity production profile (depending on, inter alia, capacity and actual production hours). The Company may also engage in financial transactions to fix the prices of electricity, in respect of the capacity to which the Company has committed, regardless of actual production. The Company also sells the green certificates which were allocated to it by virtue of the previous regulation and/or by virtue of entitlement to green certificates in respect of the production of electricity from renewable energy sources (Goos), within the framework of power purchase agreements with a local broker, at market prices and/or as part of financial transactions for fixed prices, in respect of the capacities and periods which were agreed between the parties.
- (2) In July 2022 the Company engaged, through dedicated project companies which are owned by the Company, in amendments to the power purchase agreements and fixed electricity price transactions, in respect of the electricity which is produced in the five wind farms which are owned by the Company in Poland. Under this amendment, the production capacity which the Company undertook in previous fixed price transactions in which it engaged with the broker in respect of the years 2022-2024 was reduced, and in parallel, the Company engaged in additional fixed price transactions, including the provision of an option to increase the scope of the transaction for the years 2025-2034.
- (3) In December 2022, the Company engaged with the Polish broker in a financial transaction regarding the unwinding of fixed price transactions which were signed between the parties in respect of the months December 2022 – January 2023, against the payment of compensation to the Company in the amount of NIS 23 million. The compensation amount was recognized under Other Revenues in the fourth quarter of 2022.
- (4) In February 2023, the Company engaged in an additional amendment to the power purchase agreements, in which:

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- (i) The parties engaged in a financial transaction regarding the unwinding of fixed price transactions which were signed between the parties in respect of February 2023 through December 2023, against payment of compensation to the Company amounting to NIS 153 million. The aforementioned compensation was recognized under Other Revenues during the Reported Period, in the first quarter.
- (ii) The terms of the option which was given to the broker in July 2022 were updated, such that the exercise period given to the broker was extended until December 31, 2024, including provision of the right to unwind the fixed price transactions in respect of the years 2032-2034, in whole or in part, until March 31, 2025. In the Reported Period, the broker announced it would exercise their right to terminate this option, as aforesaid.
- (5) Below are transactions to fix prices pursuant to power purchase agreements, out of total generation in 2023-2024, in effect as of the Report Approval Date:

<u>Year</u>	<u>Fixed rate out of the wind farms' total production (*)</u>	<u>Average price (**)</u>
2023	41%	280
2024	72%	670

(\*) The Company's wind farms which are in commercial operation as of the Report Approval Date.

(\*\*) Average price in PLN per 1MWh, before adjustments according to the actual production profile.

For more information about transactions to fix prices for 2025-2031, see Section (5) below.

Below are transactions to fix prices, out of the total generation capacity for 2025-2031, which are in effect as of the Report Date:

- (i) The dedicated project company which holds the wind farms Banie 1+2, with a capacity of 106MW ("**Banie 1+2**") engaged with the broker in fixed price transactions for 7 years, in respect of the years 2025-2031, in a scope which reflects 90% of the projected annual electricity generation in Banie 1+2 (the "**Long Term Fixed Price Transactions**") at a price of PLN 460-480 per 1MWh.
- (ii) The broker has an additional option, exercisable until the end of 2024, in respect of additional capacity out of the production capacity, at a rate of up to 5% of the total expected electricity generation in 5 of the Company's wind farms in Poland.
- (iii) In the Reported Period, terms of the option awarded to the broker in July 2022 were revised, extending the exercise period awarded to the broker through December 31, 2024.

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- (6) Presented below are the fixed prices in fixed price transactions with respect to green certificates:

<u>Year</u>	<u>Fixed rate out of total production (*)</u>	<u>Average price (**)</u>
2023	99%	162
2024	16%	220

(\*) Expected amount of green certificates which will be issued in the Company's 2 in commercial operation wind farms as of the Report Date.

(\*\*) Average price per certificate in PLN.

**(d) Additional details regarding projects in the commercial operation stage in the Wind Energy Segment in Poland**

The Company owns five in wind farms in commercial operation in Poland, with total capacity of 301MW (projects Banie 1+2, Itawa, Sepopol, Banie 3 and Banie 4).

**(1) Wind farms Banie1+2 106MW) and wind farm Itawa (13.2MW)**

The Company's revenues from these transactions constitutes a part of the revenues from the sale of electricity and green certificates, as applicable.

**(2) Banie 3 wind farm (82MW) and Sepopol wind farm (44MW)**

The two wind farms in commercial operation were awarded a guaranteed tariff wind tender, at PLN 250-268 per 1MWh, as of the Report Date. Under terms and conditions of this tender, each wind farm, after completing entry into the tender regulation, would be entitled to a guaranteed tariff linked to the CPI, for the duration of commercial operation for a term of 15 years after entering the tender, for average electricity generation at 65% of the expected electricity generation at each wind farm. The remainder will be sold by the Company at market prices or in fixed price transactions, similarly to the aforementioned transactions in connection with the electricity output in the Company's in commercial operation projects. After the Report Date, in February 2024, the Company completed the requirements for entry into the tender regulation, whereby the Company committed to sell, as part of this tender regulation, electricity equal to 17%-20% of expected electricity generation at the two wind farms for the first five years, and 82%-87% of expected generation in the remaining 10 years. Should the Company fail to meet 85% or more of its commitment, with regard to expected generation for 3 years on aggregate, the Company would face fines.

For more information regarding the Company's engagement in a financing transaction in the amount of up to PLN 550 million, to finance the construction of the aforementioned 2 wind farms, on a non-recourse basis, see Note 14d(5).

**(3) Banie 4 project (56MW):**

This wind farm has a guaranteed tariff of PLN 280-285 per 1MWh, as of the Report Date, pursuant to being awarded a tariff tender.

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Pursuant to terms and conditions of this tender, the wind farm would be entitled to a guaranteed tariff, linked to the CPI, during commercial operation, for 15 years after entering the tender, for average electricity generation at 80% of expected electricity generation at the wind farm. The remainder will be sold by the Company at market prices or in fixed price transactions, similarly to the aforementioned transactions in connection with the electricity output in the Company's in commercial operation projects. The Company has the right not to enter the tender regulation, thereby waiving the guaranteed tariff, through February 2025. A decision on the matter should be made around decision deadline, depending on the state of the power market at that time.

For more information about the Company's engagement in a financing transaction in the amount of up to PLN 290 million, to finance the construction of the aforementioned wind farms, on a non-recourse basis, see Note 14d(6).

**(e) Additional details regarding projects in advanced development**

**Wind farm construction project with capacity of 68MW:** The Company is working on securing all of the approvals and permits which are required for the purpose of building a wind farm construction project in Poland with a capacity of 68MW. As of the Report Approval Date, the project has received a building permit, and the Company is working on securing space on the grid to feed in the electricity which will be produced in the project, insofar as it will be built.

**(5) Projects in the Wind Energy Segment in Israel****Overview:**

As of the Report Approval Date, the construction of wind farms in Israel is done in accordance with a feed in tariff regulation for the construction of wind farms with a total capacity of 730MW, according to an outline of an undertaking of the Electric Corporation to purchase electricity at a guaranteed tariff for a period of 20 years, CPI-linked. This regulation is in effect for wind farms reaching financial closing no later than June 30, 2024. In Israel, several sites were defined in which plans for the construction of wind farms may be promoted, subject to terms and restrictions based on security considerations, environmental protection considerations, and planning considerations.

**Additional details regarding a project under construction with a capacity of 104MW**

- (a) The Company has a project for the construction of a wind farm (the Company's share – 100% of management shares and 80.5% of residual economic shares in the project), in the Golan Heights, with a capacity of 104MW (hereinafter: "**Project Company**" and "**Clean Wind Energy Project**", respectively).

The Company's interests in the Clean Wind Energy Project are by virtue of an investment agreement which was closed in September 2014, and it acquired those interests in consideration of an undertaking by the Company to work on the development and financing of the Clean Wind Energy Project, including providing the required equity on the Clean Wind Energy Project's financial closing date. The Company has a services agreement for the accompaniment and development of the project during the period of the project's construction and operation, in consideration of payment of management fees as agreed between the parties, the payment of which will begin only after the project commences commercial operation. In 2022, the Company acquired class B shares of the Clean Wind Energy Project from minority shareholders at a rate of 7.5% of all shares of that class, in consideration of an immaterial sum.

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- (b) The project was promoted as a national infrastructure project by the National Infrastructure Committee. After a building permit was issued for the project in February 2022, in October 2022 approval for the project's financial closing was given by the Electricity Authority, such that the project has a guaranteed tariff amounting to NIS 0.29116 per 1KWh, over 20 years, CPI-linked (base index of June 2022). As of the Report Date, the guaranteed tariff is NIS 0.303 per 1KWh.
- (c) In the Reported Period, construction work on the project has started, after the Company engaged in agreements to acquire the main equipment for the project, and with executing contractors. In light of (i) objections of the Druze community in Israel against the project construction activity, which, according to information which was given to the Company, are mostly based on assertions which are unrelated to the project; and (ii) the massive construction work on the project, including turbine transportation to the site, requires assistance and special preparation by the Police which due to the war and un-availability of the Israeli Government, Police and security forces to the project company at this time, construction work on this project has been temporarily suspended. The Company believes that the extensive re-start of construction would be delayed, to start subject to police availability; consequently, the project construction schedule would be extended. Based on information available to the Company as of the Approval Date of the Report, and according to the Company's assessment, this should have no material effect on the Company.

Given the temporary suspension of construction work, the Company charged development and financing costs, amounting to NIS 6 million, to profit and loss incurred in the fourth quarter of 2023 with respect to this project.

- (d) Given the delay in scheduled construction work on this project, the Company strives to reduce the ongoing associated costs and to align the set of approvals and agreements required for project construction, including contracting of amendments to adjust the agreements signed with the turbine supplier and with sub-contractors for carrying out construction work.
- (e) The Company is party to multiple legal proceedings with respect to this project: (i) In May 2021, local associations and residents filed a claim with the Magistrate's Court demanding that the Company be prevented from entering areas which they allegedly own, and which form a part of the project areas. A motion for an injunction which was filed during the Reporting Period by the plaintiffs was dismissed. During the Reported Period, the Court resolved to remove most of the plaintiffs from the statement of claim; following an appeal filed by the plaintiffs with the Court on this matter, the parties decided, by agreement, to accept the plaintiffs' appeal against the lower court's decision to erase most of the plaintiffs from the statement of claim. As of the approval date of the financial statements, the legal proceedings are ongoing, and are in the document discovery stage. The Company's legal counsel believes that this lawsuit would be denied; (ii) In the Reporting Period, several Druze residents with whom the Company contracted leases that govern Company use of land on which several turbine bases in the project are to be constructed, filed claims seeking reversal of the leases signed with them (including by way of declaratory relief). As of the Report Approval Date, the project company has filed a statement of defense with regard to the statement of claim, and the rest are expected shortly. To the best of the Company's knowledge, these claims were most all filed due to religious, economic

**Energix – Renewable Energies Ltd.**

**Notes to the Consolidated Financial Statements**

and social pressure brought to bear on them, and the Company's legal counsel believes that they should be denied; (iii) In the Reported Period, an appeal was filed against the National Planning Committee and the Company, seeking mostly declaratory relief from the Court with regard to nullification of the construction permit issued for the project or, alternatively, cancellation thereof. As of the Report Approval Date, the defendants have yet to file their statements of defense. To the best of the Company's knowledge, based on the opinion of legal counsel and given the preliminary stage of this proceeding, this claim should be denied.

- (f) According to the creditors' regulation that was approved for the Project Company in September 2014, the Project Company has liabilities which are contingent on the project maturing into financial closing and commercial operation. As of the Report Date, the Company has a provision in the amount of NIS 11 million in respect of the above liabilities.

- (g) Review for impairment of system under construction:

In the fourth quarter of 2023, the Company identified indications of impairment of its investment in the Clean Wind Energy Project, in conformity with IAS 36. given the temporary suspension of construction work on this project, and Company belief that the extensive re-start of construction would be delayed, to start subject to police availability and given that the project construction schedule are expected to be extended.

The impairment review conducted by the Company found that the recoverable amount of this project, calculated based on the value in use as of December 31, 2023, exceeds the carrying amount of this project. Therefore, project assets have not been impaired and there is no need to recognize any asset impairment.

The value in use was calculated using the DCF method, with estimation of forecasted cash flows that would result from extended use of the project, using the financial model used by the financing providers for the financial closing of the project, discounted to their present value using a discount rate appropriate for these future cash flows.

The key assumptions used in this valuation are as follows:

- Weighted Average Cost of Capital (WACC) is estimated at 7.57%
- Project operation period is 20 years after commercial launch
- Estimated loan interest rate is based on yield of CPI-linked government bonds with the duration, plus a margin of 2.4%-2.6%
- Valuation was based on the projected cash flow over the project duration
- Revenues were calculated using the tariff obtained in the tariff approval from the Electricity Authority
- The valuation was based on the assumption that additional costs incurred due to project delay were not material

As of the Report Date, the balance of the investment in the project amounts to a total of NIS 543 million, recognized under Systems under Construction and Development.

For more information regarding the Company's engagement in a financing transaction in the amount of up to PLN 650 million to finance the construction of the wind farms, see Note 14d(6).

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**Notes to the Consolidated Financial Statements**

**Note 11 – Investments in Investees**

**A. Subsidiaries**

**(1) Details of consolidated companies**

(a) Following is a list of the material subsidiaries and consolidated partnerships of the Company:

Name of investee	Main area of activity	Technology	Acquisition date	The Company's legal rate of ownership		The Company's effective stake (1)		Note reference
				2023	2022	2023	2022	
Fieldon investments Sp. z o.o Wiatromill Sp. J (Banie Project 1+2)	Poland	Wind	03/2015	100%	100%	100%	100%	9b(3)
Glavent Investments Sp. z o.o Orlik Sp. J. (Itawa project)	Poland	Wind	01/2016	100%	100%	100%	100%	9b(3)
Eneal Sp. J (Sepopol Project)	Poland	Wind	10/2015	100%	100%	100%	100%	9b(3)
Banie Sp 3 J	Poland	Wind	03/2015	100%	100%	100%	100%	9b(3)
Enertrag Krajnik Sp. Z.o.o (Banie Project 4)	Poland	Wind	08/2019	100%	100%	100%	100%	9b(3)
Energix US LLC (3)	USA	Photo-voltaic	-	100%	100%	100%	100%	9b(2)
Energix US Parent LLC (4)	USA	Photo-voltaic	-	100%	100%	100%	100%	9b(2)
Energix Neot Hovav Ltd.	Israel	Photo-voltaic	07/2013	100%	100%	100%	100%	9b(1)
Energix Projects 2, Limited Partnership	Israel	Photo-voltaic	-	97%	97%	97%	97%	9b(1)
Clean Wind Energy Ltd.	Israel	Wind	09/2014	80.5%	73%	100%	100%	9b(4)
Solaer Energix Renewable Energies, Limited Partnership (the Joint Venture) (2)	Israel	Photo-voltaic	-	70%	70%	91%	91%	9b(1)

- (1) The stake includes taking into account priority for the Company according to the waterfall payment model of the distributable cash flows in respect of the repayment of preferred shareholder's loans which the Company has provided, or preferred shares which it holds.
- (2) Tender 2, tenders 3-4, and Emek Zevulun Partnership are wholly owned under the joint venture.
- (3) Energix US wholly owns Virginia Projects 1, Virginia Projects 2, projects under construction with a capacity of 208MWp, and projects under advanced development with a capacity of 317MWp.
- (4) Energix US Parent wholly owns Virginia Projects 3 and PA1.

**Energix – Renewable Energies Ltd.**  
**Notes to the Consolidated Financial Statements**

**Note 11 - Investments in Investees****a. Subsidiaries (Cont.)****(1) Details of consolidated companies (Cont.)**

(a) Presented below are details regarding material loans (including capital Notes) which were provided by the Company to the Company's subsidiaries and consolidated partnerships:

<b>Name of loan recipient</b>	<b>Interest</b> %	<b>Balance of the loan as of December 31</b>	
		<b>2023</b>	<b>2022</b>
		<b>NIS in thousands</b>	
Energix Construction, Limited Partnership	2.42%	504,333	82,022
Clean Wind Energy Ltd.	17%	391,504	244,665
Solaer Energix Renewable Energies Limited Partnership, and consolidated companies (*)	8%/10%	302,633	385,251
Energix Projects 2, Limited Partnership	8%/10%	47,568	65,165
Energix Renewable Energies Holding B.V (**) and subsidiaries	6%/10%	496,879	956,107
Energix US LLC and consolidated companies	0%/3%	1,953,655	1,249,099

(\*) Solaer Energix Renewable Energies wholly owns Energix Tender 2, Limited Partnership, Energix Tender 3-4, Limited Partnership, and Emek Zevulun Partnership.

(\*\*) A holding company which holds the Company's activity in Poland. The loans are used to finance the activities of the SPV's which are owned by the Company in Poland. The loans were provided directly to the holding company and to subsidiaries.

**(2) Significant restrictions on the transfer of resources between entities in the Group**

Dividend distributions and the performance of current payments to shareholders in the various project companies in the Group who received project financing from an external entity are subject to restrictions on the number of distributions which can be performed in a year, and in respect of the first distribution, they are subject to a lock-up period as well – usually for a period of at least 6 months after the date when the borrower paid the principal payments in respect of the financing. Additionally, the project companies are required to fulfill conventional financial covenants, in accordance with the financing agreements. For more information see Note 14.

**b. Equity-accounted investees**

In 2022, the Company sold its entire stake in Granot Partnership, which was accounted for using the equity method. For more information see Note 9.

**Energix – Renewable Energies Ltd.**  
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**Note 12 - Trade Payables**

	<b>As of December 31</b>	
	<b>2023</b>	<b>2022</b>
	<b>NIS in thousands</b>	
Trade payables	37,403	17,719
Expenses payable (*)	405,728	56,643
Notes payable	254	137
	<b>443,385</b>	<b>74,499</b>

(\*) Expenses payable as of the Report Date and as for December 31, 2022 are primarily due to expenses payable to construction suppliers for projects under construction and in pre-construction in the USA.

**Note 13 - Payables and Credit Balances**

	<b>As of December 31</b>	
	<b>2023</b>	<b>2022</b>
	<b>NIS in thousands</b>	
Institutions (***)	149,431	39,394
Related companies (*)	4,975	4,436
Payroll and related institutions, including short term benefits to employees and bonuses	16,510	11,190
Interest payable	23,286	9,526
Liabilities in respect of hedging financial instruments	100,877	135,835
Other payables and credit balances (**)	11,936	31,633
	<b>307,015</b>	<b>232,014</b>

(\*) Primarily current debit/credit balances with the parent company. For more information see Note 25a.

(\*\*) Mostly consists of provision for payment of land tax in Poland. For more information see Note 30c. For more information see Note 10b(2).

(\*\*\*) Mostly consists of provision for tax payment with respect to construction gain in the USA.

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**Notes to the Consolidated Financial Statements**

**Note 14 - Loans, Credit from Financial Institutions, Bonds and Other Liabilities**

- a. Presented below are details regarding credit facilities, credit from banking corporation and other credit providers:

(1)

	Amount of credit facilities		Use of guarantee facility / letters of credit		Use of short term loan facility		Expiration date of credit facility Through December 2024
	As of December 31		As of December 31		As of December 31		
	2023	2022	2023	2022	2023	2022	
	NIS in thousands						
Credit facility from banking corporations (*)	511,350	455,950	299,077	240,000	192,411	-	

(\*) Of which USD 50 million (NIS 181 million) from a bank in the USA.

(\*\*) After the Report Date, the Company increased the credit facility by PLN 90 million (NIS 81 million), signed with a bank in Poland.

- (2) For more information about a short-term loan amounting to NIS 662 million, see Note 14c below.

- b. Presented below is the distribution of balances by repayment dates:

	As of	December 31			December 31		
	December 31	2023			2022		
	2023	Current maturities and short term credit	Long-term loans	Total	Current maturities and short term credit	Long-term loans	Total
	Annual interest rate	NIS in thousands			NIS in thousands		
	%						
Utilized credit facilities	Prime + 0.4%-1.1%	192,411	-	192,411	-	-	-
Loans from financial institutions and banks in Israel	See section C below	86,581	2,193,089	2,279,670	63,746	915,122	978,868
Loan from foreign banks	See section C below	33,386	671,131	704,517	13,267	352,040	365,307
Short-term loan	SOFER + 1.1%-1.8%	661,848	-	661,848	-	-	-
<b>Total credit from banking corporations and other credit providers</b>		<b>974,226</b>	<b>2,864,220</b>	<b>3,838,446</b>	<b>77,013</b>	<b>1,267,162</b>	<b>1,344,175</b>

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c. Presented below are details regarding the Group's project finance agreements as of December 31, 2022:

<b>Project name</b>	<b>Neot Hovav</b>	<b>Projects 1 (*)</b>	<b>First competitive proceeding</b>	<b>Second competitive proceeding</b>	<b>Third and fourth competitive proceedings</b>
<b>Lender</b>	Consortium of institutional investors	Institutional entity	Institutional entity	Institutional entity	Institutional entity
<b>Loan / credit facility amount</b>	NIS 370 million (NIS 290 million original facility and NIS 80 million financing expansion)	Total of NIS 38 million	NIS 240 million	NIS 180 million (**)	Approximately NIS 350 million (the financing facility has not yet been withdrawn in its entirety)
<b>Contracting date of financing agreement</b>	December 2014	September 2013	September 2017	December 2018	December 2020
<b>Financing provided on</b>	February 2015 original facility, September 2017 financing expansion	February – June 2014	In 2018	August 2019 – February 2021	For more information, see Section d(2) below.
<b>Loan balance as of December 31, 2023<sup>5</sup></b>	NIS 212.2 million	NIS 17.0 million	NIS 208.0 million	NIS 178.9 million	NIS 348.5 million
<b>Loan balance as of December 31, 2022<sup>5</sup></b>	NIS 231.1 million	NIS 20.2 million	NIS 213.5 million	NIS 180.5 million	NIS 318.9 million

**Energix – Renewable Energies Ltd.**  
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<b>Project name</b>	<b>Neot Hovav</b>	<b>Projects 1 (*)</b>	<b>First competitive proceeding</b>	<b>Second competitive proceeding</b>	<b>Third and fourth competitive proceedings</b>
<b>Repayment schedule</b>	Quarterly payments over 18 years	Semi-annual payments over 16 years	Quarterly payments over 21.5 years, beginning from commercial operation	Quarterly payments over 21.5 years	Quarterly payments during 22 years beginning on December 31, 2021
<b>Loan maturity</b>	December 2032	December 2032	June 2040	June 2041	December 2043
<b>Annual interest rate</b>	Original financing amount – 3.2%, CPI-linked; Additional financing – 3.05% CPI-linked	4.6%-4.25%, CPI-linked	Average interest rate of 2.885%, CPI-linked	Average interest rate of 2.504%, CPI-linked	Average interest rate of 1.87%, CPI-linked
<b>Restrictions on payments and distributions to equity holders</b>	Semi-annual payments based on compliance with financial covenants and other conditions according to the standard practice for transactions of this kind	Depending on the fulfillment of financial covenants and other conditions according to the standard practice for transactions of this kind	Semi-annual payments based on compliance with financial covenants and other conditions according to the standard practice for transactions of this kind	Semi-annual payments based on compliance with financial covenants and other conditions according to the standard practice for transactions of this kind	Semi-annual payments based on compliance with financial covenants and other conditions according to the standard practice for transactions of this kind
<b>Financial covenants:</b> <sup>6</sup>					
<b>Reserves in minimum amount <sup>1</sup></b>	Guarantee from parent company for 6 months debt service	6 months debt service <sup>2</sup> (NIS 4.5 million)	Guarantee from parent company for 6 months debt service	Guarantee from parent company for 6 months debt service	Guarantee from parent company for 3 months debt service and reserve for 3 months debt service (NIS 4.25 million)
<b>Minimum annual ADSCR to debt ratio <sup>2</sup></b>	Higher than 1.1 (as of the Report Date: 1.25)	Higher than 1.1 (as of the Report Date: 1.25)	Higher than 1.1 (as of the Report Date: 1.25)	Higher than 1.1 (as of the Report Date: 1.11)	Higher than 1.08 (full year of activity not yet completed)
<b>Minimum LLCR to debt ratio <sup>4</sup></b>	-	Higher than 1.1	-	-	Higher than 1.08
<b>Collateral</b>	The financing was provided on a non-recourse basis, except in respect of a guarantee that the Company provided against the provision of the Additional Financing, which will be	Financing was provided on a non-recourse basis. The financing is secured by a pledge on all of Energix's assets in the partnerships, and on the	The financing was provided on a non-recourse basis, except for the construction period, during which the Company fully	The financing was provided on a non-recourse basis, except for the construction period, during which the Company fully	The financing was provided on a non-recourse basis, except for the construction period, during which the Company fully

**Energix – Renewable Energies Ltd.**  
**Notes to the Consolidated Financial Statements**

<b>Project name</b>	<b>Neot Hovav</b>	<b>Projects 1 (*)</b>	<b>First competitive proceeding</b>	<b>Second competitive proceeding</b>	<b>Third and fourth competitive proceedings</b>
	reduced, in installments, beginning 3 years after the provision of the Financing, according to the balance of the Additional Financing, and excluding several liabilities, restricted by amount, which the Company accepted upon itself. Financing is secured by a lien on all of the assets of the Project Company and the rights of the Company in the Project Company	Company's interests in the partnerships.	guarantees the financing amount and some capped commitments undertaken by the Company during the operation period. The financing amount is secured by all of the interests in the projects which are the subject of the financing transaction, and the assets thereof.	guarantees the financing amount and some capped commitments undertaken by the Company during the operation period. The financing amount is secured by all of the interests in the projects which are the subject of the financing transaction, and the assets thereof.	guarantees the financing amount and some capped commitments undertaken by the Company during the operation period. The financing amount is secured by all of the interests in the projects which are the subject of the financing transaction, and the assets thereof.
<b>Carrying amount of pledged asset</b>	NIS 193 million	NIS 12.7 million	NIS 243.6 million	NIS 224.3 million	NIS 312.5 million
<b>Lien type</b>	First-ranking fixed lien	First-ranking fixed lien	First-ranking fixed lien	First-ranking fixed lien	First-ranking fixed lien
<b>Reference to additional information</b>	For information regarding the system, see Note 9b.	For information regarding the systems, see Note 9b.	For information regarding the systems, see Note 9b.	For information regarding the systems, see Note 9b.	For information regarding the systems, see Note 9b.

**Energix – Renewable Energies Ltd.**  
**Notes to the Consolidated Financial Statements**

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Project name	Solair Energix Emek Zevulun High Voltage	Banie 3 & Sepopol	Clean wind energy
<b>Lender</b>	Institutional entity	Consortium including EBRD and 2 European financial institutions	Consortium of Israeli lenders in an organization led by Israel Discount Bank Ltd.
<b>Loan / credit facility amount</b>	Up to NIS 255 million and potential leverage increase by up to NIS 15 million	Up to PLN 550 million (up to NIS 440 million)	Up to NIS 650 million (6)
<b>Contracting date of financing agreement</b>	July 2023	June 2021	June 2022
<b>Financing provided on</b>	As from September 2023	As from September 2021	November 2022
<b>Loan balance as of December 31, 2023<sup>5</sup></b>	NIS 164 million	NIS 480.6 million	NIS 19.3 million
<b>Loan balance as of December 31, 2022<sup>5</sup></b>	-	NIS 366.4 million	NIS 18.1 million
<b>Repayment schedule</b>	Quarterly payments	Semi-annual installments	Quarterly payments
<b>Loan maturity</b>	September 2046	June 2038	19 years after connection to the grid, or up to 12 months prior to conclusion of PPA
<b>Annual interest rate</b>	Based on yield of CPI-linked government bond with the same duration, plus margin of 2%-2.5%	Semi-annual Wibor plus a margin of 2.1-2.3. In respect of 70% of the loan amount, the Wibor interest rate will not exceed 2% for a period of 7 years (after the forecasted date of commercial operation) (**)	In accordance with the yield rates of CPI-linked government bonds with the same average lifetime, plus a margin of 2.4%-2.6%
<b>Restrictions on payments and distributions to equity holders</b>	Quarterly payments depending on the fulfillment of financial covenants and other conditions according to the standard practice for transactions of this kind	Semi-annual payments based on compliance with financial covenants and other conditions according to the standard practice for transactions of this kind	Quarterly payments depending on the fulfillment of financial covenants and other conditions according to the standard practice for transactions of this kind

**Financial covenants: <sup>6</sup>**

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Project name	Solair Energix Emek Zevulun High Voltage	Banie 3 & Sepopol	Clean wind energy
<b>Reserves in minimum amount <sup>1</sup></b>	Guarantee from parent company for 6 months debt service	6 months debt service, secured by a letter of bank credit	dedicated debt service facility, replaceable with other collateral in accordance with the provisions of the financing agreement
<b>Minimum annual ADSCR to debt ratio <sup>2</sup></b>	Historical and forecasted ADSCR higher than 1.05	Higher than 1.1	Higher than 1.05
<b>Minimum LLCR to debt ratio <sup>4</sup></b>	-	Higher than 1.15	Higher than 1.05
<b>Collateral</b>	Financing was provided on non-recourse basis, other than pending fulfillment of several conditions during the construction period. During this period, the Company fully guarantees the financing amount, and other than in respect of a number of liabilities (some of which are restricted in amount) which the Company accepted. The financing is secured by a lien on all of the project companies' assets and the Company's interests in the project companies	The financing was provided on a non-recourse basis, except in respect of a number of liabilities (some of which are restricted in amount) which the Company accepted. The financing is secured by a lien on all of the project companies' assets and the Company's interests in the project companies	The financing was provided on a non-recourse basis, except for the construction period, during which the Company fully guarantees the financing amount and some capped commitments undertaken by the Company after the construction period, such as land aspects. Financing is backed by pledging of all assets of the project companies and of Company interests in the project companies.
<b>Carrying amount of pledged asset as of December 31, 2023</b>	NIS 216.8 million	NIS 626 million	NIS 509.4 million
<b>Lien type</b>	First-ranking fixed lien	First-ranking fixed lien	First-ranking fixed lien
<b>Reference to additional information</b>	For information regarding the system, see Note 9a.	For information regarding the system, see Note 9a.	For more information see Note 3b. For information regarding the system, see Note 9b.

Project name

Virginia 1+2

PA1+ Virginia 3

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Project name	Solair Energix Emek Zevulun High Voltage	- Banie 3 & Sepopol	Clean wind energy
<b>Lender</b>	Santander CIB	Santander CIB	
<b>Loan / credit facility amount</b>	Up to USD 70 million (up to NIS 270 million)	Up to USD 260 million (up to NIS 965 million) as a short-term loan for the construction period, to be converted into a long-term loan, and up to USD 250 million (up to NIS 920 million) as a bridging loan pending investment from the Tax Partner	
<b>Contracting date of financing agreement</b>	August 2023	April 2023	
<b>Financing provided on</b>	August 2023	May 2023	
<b>Loan balance as of December 31, 2023<sup>5</sup></b>	NIS 231 million	NIS 1,605 million	
<b>Loan balance as of December 31, 2022<sup>5</sup></b>	-	-	
<b>Repayment schedule</b>	Semi-annual installments	The long-term loan repayment and interest payments for this loan shall be repaid by semi-annual installments	
<b>Loan maturity</b>	August 2028, amortized over up to 15 years.	Short-term loan for the construction period, converted into a long-term loan soon after commercial launch of the last of these projects, provided that all projects will be in commercial operation by March 29, 2024. After this conversion, the long-term loan would mature 5.5 years after the conversion date, amortized over up to 22 years.  Bridging loan – maturing soon after commercial launch of the last of the projects, provided that all projects will be in commercial operation by March 29, 2024.	
<b>Annual interest rate</b>	Six-month SOFR plus margin of 1.7%-2.4%. Variable interest hedge for the entire debt period (15 years), at 75% to 105% of the loan amount. The base interest rate received from the hedge transaction, in respect of USD 65 million withdrawn upon the signing date (including fees), for the entire debt period, is 4%.	The loan for the construction period and the bridging loan will bear interest at a rate which will be within the range of 1.1%-1.8% above the base interest rate (6 month SOFR). The long-term loan will bear interest at a rate which will be within the range of 2.25%-1.65% above the base interest rate (6 month SOFR). During the Reported Period, the base interest rate was hedged in accordance with the debt's amortization schedule (up to 22 years), at a rate of 100% of the amount of the long-term loan.  The interest rate for the long-term loan, after the foregoing hedge, ranges between 5%-5.6%.	

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**Notes to the Consolidated Financial Statements**

Project name	Solair Energix Emek Zevulun High Voltage	Banie 3 & Sepopol	Clean wind energy
	The interest rate for the long-term loan, after the foregoing hedge, ranges between 5.7%-6.4%.	-	
<b>Restrictions on payments and distributions to equity holders</b>	Payments subject to free cash flow and to compliance with financial covenants and other conditions, as customary for such transactions	Payments subject to free cash flow and to compliance with financial covenants and other conditions, as customary for such transactions	
<b>Financial covenants: <sup>6</sup></b>			
<b>Reserves in minimum amount <sup>1</sup></b>	6 months debt service, secured by a letter of bank credit	6 months debt service, secured by a letter of bank credit	
<b>Minimum annual ADSCR to debt ratio <sup>2</sup></b>	-	-	
<b>Minimum LLCR to debt ratio <sup>4</sup></b>	-	-	
<b>Collateral</b>	Financing was provided on a non-recourse basis, except for some specified matters, as customary for such transactions	Financing was provided on a non-recourse basis, except for some specified matters, as customary for such transactions	
<b>Carrying amount of pledged asset as of December 31, 2023</b>	NIS 964 million	NIS 2,493 million	
<b>Lien type</b>	Fixed, first-ranked lien on interest in the borrower	During term of the short-term loan – fixed, first-ranked lien on all borrower assets and holdings therein. During term of the long-term loan – fixed, first-ranked lien on holdings in the borrower	
<b>Reference to additional information</b>	14	14	

(\*) The figures include financing in respect of small and medium systems which are installed on the rooftop of Amot (a related party of the Company) in projects partnership 1 (capacity of 3.2MWp).

(\*\*) For more information regarding the accounting treatment of the cap transaction to hedge against interest rate changes, see Note 31d(4).

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**Notes to the Consolidated Financial Statements**

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**Comments regarding the table**

1. Debt service reserve account.
2. Annual Debt Service Cover Ratio (ADSCR) – The ratio of the surplus cash flow that is available for debt servicing in the one-year period that precedes or follows the date of the calculation to the balance of the principal and interest of the loan in such period.
3. Debt Service Cover Ratio (DSCR) – The ratio of the surplus cash flow that is available for debt servicing in the quarter that precedes or follows the date of the calculation to the balance of the principal and interest of the loan in such period.
4. Loan Life Cover Ratio (LLCR) – The ratio between the present value of the debt servicing surplus cash flow and the cash balances in the accounts of the Company in the loan period, to the balance of the loan on the date of calculation.
5. As of the Report Date and as of the Report Approval Date, the Group is fulfilling all of the financial covenants.
6. As of the Report Date and as of the Report Approval Date, construction work on this project is not being promoted, and the outstanding loan facility would not be realized pending re-start of construction work on this project. For more information see Note 9b5.

**d. Additional Details**

- (1) Project finance transactions to which the Group is party are based on the formation of special purpose vehicles – SPV’s, which hold all of the rights and obligations of the financed project(s), and usually do not involve any additional activity beyond the financed activity. Project financing is mostly provided on a non-recourse basis, according to which the repayment of the financing is secured by the SPV’s assets and the interests therein only, excluding standard exceptions such as investment of the equity undertaken by the SPV’s owners, an undertaking to avoid cost overflows in the construction of the projects, and sometimes also several undertakings (some of which are limited in amount) which the Company accepted in respect of that financing, in accordance with the commercial understandings between the parties (see below regarding land guarantees, in respect of financing the Clean Wind Energy Project). Additionally, in case the Company operates as the EPC contractor of the project (as in projects in the USA), or insofar as the Company manages the construction activity in the project (as in the construction of the project under the joint venture), the Company may provide guarantees instead of the construction and operation contractor, in favor of the SPV, according to the standard industry practice.

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**Notes to the Consolidated Financial Statements**

**(2) Further information about project financing by the Company in the USA**

**a. Projects in commercial operation –**

**Virginia Projects 1 and Virginia Projects 2 – Financing of up to USD 70 million obtained from Santander CIB**

In August 2023, the Company contracted with Santander CIB an agreement to provide Back Leverage financing amounting up to USD 70 million (NIS 270 million) with respect to Virginia Projects 1 and 2, with a capacity of 224 MWp. Out of the total loan amount, USD 65 million (NIS 250 million) was provided to the Company shortly after the signing of the loan agreement and was used to recoup equity provided by the Company to these projects.

**b. Projects under construction with total capacity of 412MWp –**

**Virginia Projects 3 and PA1 – Back Leverage financing and short-term bridging loan from Santander CIB amounting up to USD 510 million, for short term and long-term –**

In the Reported Period, the Company, through corporations in the USA, contracted with Santander CIB to obtain non-recourse financing by multiple agreements, providing a short-term loan to finance construction costs, amounting to USD 260 million, and a bridging loan amounting to USD 245 million with respect to investment by the Tax Partner, to be fully repaid upon the Tax Partner providing in full their investment in the projects, and no later than March 29, 2024. These loans are structured so as to repay the bridging loan out of the Tax Partner investment, and to repay the short-term loan to finance construction costs from the Back Leverage long-term loan of up to USD 260 million. In the Reported Period, the Company withdrew USD 442 million from the construction and bridging loans. The Company believes that the outstanding short-term loans would be repaid in full in March 2024.

**(3) Further information about project financing by the Company in Israel**

**a. Financing for projects in commercial operation**

**Financing transaction in respect of projects with a capacity of up to 137MWp (third and fourth competitive proceedings)**

In the reported period, the Company, through the Israel Joint Venture, withdrew NIS 30 million from the financing facility, with respect to amounts available for withdrawal pursuant to the financing agreement, after complying with the conditions for such withdrawal. Note that the financing agreement included the establishment of a significant cross-breach clause according to which, insofar as a demand for immediate repayment is made in respect of another financial liability in an amount exceeding NIS 50 million, in circumstances not involving voluntary repayment, the lender will be entitled to demand the immediate repayment of the foregoing loan. For details regarding the Company's fulfillment of the financial covenants in respect of the Company's financial liabilities, see the table in Note 11c above.

Once the construction of the projects has been completed, and once they have met the determined conditions, the project partnership will be entitled to increase the financing amount by an additional amount, which will set the total financed amount at 85% of the total construction costs of all of the projects, and in any case, no more than a total of NIS 370 million.

**b. Financing for projects under construction / in pre-construction**

**1. Engagement in transaction to finance the construction of the Clean Wind Energy Project 104MWp)**

In June 2022, the project company signed, vis-à-vis Israel Discount Bank Ltd., an agreement for the receipt of financing for the construction of the project in the total preliminary amount of up to NIS 650 million. The finance transaction has standard terms

**Energix – Renewable Energies Ltd.****Notes to the Consolidated Financial Statements**

for project finance transactions and is secured by all of the interests in the project, and by a general lien on all of the borrower's assets and interests, subject to the provisions of the conditional license and of the law. The loan will be provided on a non-recourse basis, except in respect of a number of liabilities which the Company accepted in favor of the lenders, e.g., to finance excess costs, etc. Additionally, subject to the provisions of the financing agreement, the Company provided a company guarantee up to the total financing amount in respect of (i) breaches during the construction period of the project, until the end of a two year make good period, and (ii) land events which prejudice the land ties that are required to build and operate the project, throughout the entire financing period.

The Company has the right to increase the leverage in the amount of up to NIS 50 million, subject to the terms of the financing agreement.

As of the Report Date, the Company withdrew NIS 18 million from this facility.

Note that given that as of the Report Date and as of the Report Approval Date it was not possible to promote project construction work, no further withdrawals would be made from this facility. For more information about the project status see Note 9b5 above.

**2. Financing for Julis project with capacity of 87MW –**

In July 2023, an agreement was signed for financing this project, amounting initially to NIS 223 million. The Company may also increase leverage by up to NIS 15 million, subject to terms and conditions of the financing agreement.

In the Reported Period, the Company withdrew NIS 164 million from this facility.

As of the Report Date, the Company has recognized assets amounting to NIS 226 million in respect of this project, under Systems under Construction and Development.

**3. Financing for winning projects in competitive proceeding 2 for construction of photo-voltaic facilities with integrated storage capacity (96MWp and 358MWh):**

After the Report Date, in March 2024, an agreement was signed with Bank Leumi Le-Israel Ltd. for financing of project construction, initially amounting up to NIS 480 million in total. The financing transaction is at customary terms for project finance transactions, and is secured by the entire interest in these projects and pledging of all assets of the borrower and of project companies owned by the borrower, including interest in the borrower and in project companies, subject to statutory provisions. Financing is provided on non-recourse basis, except for certain specified matters agreed by the parties in the financing documents, including aspects of custom risk with respect to the private provider with which the Company has contracted, and a guarantee by the parent company to secure obligations of the construction and operation contractor.

Financing would be provided over the construction period of each project, subject to compliance with withdrawal conditions as customary for such transactions, including compliance with financial ratios specified for these loans, and providing initial equity for each project, at 25% or more of its total construction cost.

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<b>Key terms and conditions of the financing transaction</b>	
<b>Financing outline</b>	<p>Long-term loans up to 75% of project construction cost, with half (50%) of the long-term loan amount to be in CPI-linked NIS loans and the remainder to be non-linked to CPI ("<b>Long-term Loans</b>").</p> <p>The total loan amount may increase by utilization of financing facility for excess costs and increased leverage, to bring the total principal of the loan facilities to 76%-77% of actual project construction cost.</p>
<b>Terms and conditions of Long-term Loans</b>	<p><b>Loan term:</b> Through the sooner of (a) 12 months prior to expiration of the PPA for the last project under the financing agreement; or (b) December 31, 2044.</p> <p><b>Interest:</b> The Long-term Loans would bear interest equal to yield of Government of Israel bonds (linked or non-linked, as the case may be) of the same duration as the loan, plus a margin of 2.2%-2.7%</p> <p><b>Repayment:</b> Repayment schedule (principal and interest): quarterly installments</p>
<b>Advance payment borrowing</b>	<p>The financing transaction includes provisions for short-term advance payment borrowing, out of the Long-term Loans amount, to serve the borrower to finance 75% of cost of key equipment for the projects ("<b>Advance Payment Borrowing</b>")</p> <p><b>Repayment of Advance Payment Borrowing:</b> The Advance Payment Borrowing would be fully repaid by the sooner of (a) 8 months after the withdrawal date thereof; or (b) the financial closing date for each project for which Advance Payment Borrowing has been provided, by way of conversion of the Advance Payment Borrowing for each project that has reached financial closing, from the Long-term Loans to be provided for said project</p> <p><b>Interest for Advance Payment Borrowing:</b> Prime plus margin of 0.3%-0.7%</p>

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<b>Key terms and conditions of the financing transaction</b>	
<b>Financial ratios</b>	<p>Coverage ratios for breach: minimum forecasted and historical ADSCR and minimum LLCR below 1.05: 1</p> <p>Coverage ratios for distribution: minimum forecasted and historical ADSCR and minimum LLCR at least at 1.17: 1</p>
<b>Representations, obligations and cross-breach provisions</b>	<p>The financing agreement includes a set of representations and breach events, as customary for such financing agreements, for which the lenders may terminate and/or accelerate loan repayment.</p> <p>The financing agreement also includes cross-breach provisions, whereby failure by the Company to comply with financial covenants, where such failure gives cause for calling Company bonds (Series B) for immediate redemption, would constitute a breach event of the financing agreement.</p>

4. **Project with capacity of 30MWp with integrated storage capacity of 48MWh:** The Company has signed an MOU for financing this project, amounting up to NIS 100 million, on non-recourse basis. The terms and conditions for this financing, subject to signing of binding agreements, would be similar to those of the projects to be constructed pursuant to competitive proceeding 2 (Storage).

**(4) Further information about project financing by the Company in Poland**

Financing for projects in commercial operation

1. **Financing for wind farm Banie 3 and Sepopol, with total capacity of 126MW:** In the Reported Period, the Company concluded another withdrawal from financing for construction of the wind farm, amounting to PLN 81 million (NIS 77 million), used to reimburse excess equity provided by the Company.
2. **Financing for wind farm Banie 4, with capacity of 56MW:** In the Reported Period, the Company concluded another withdrawal from financing for construction of the wind farm, amounting to PLN 265 million (NIS 250 million), used to reimburse excess equity provided by the Company.
3. **Financing for wind farm Banie 1+2**

For more information see Note 14d(6) to the Consolidated Financial Statements.

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**Notes to the Consolidated Financial Statements**

**(5) Bonds**

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Obligatory note	Par value NIS in thousands	Linkage base	Coupon interest %	Repayment terms	Effective interest %	Carrying amount as of December 31, 2023	
						Current	Non- current
						NIS in thousands	
Series A	598,968	Unlinked	2.05%	Repayment of principal in 18 equal semi-annual installments	2.2%	74,871	520,288
Convertible bonds (Series B)	566,602	Unlinked	0.25%	Single payment of principal on August 1, 2027	1.91%	-	523,979

**(a) Bonds (Series A)** – In December 2019 the Company issued Company bonds (Series A) in the total amount of NIS 427,478 thousand par value, for a net consideration (after deducting fees and direct costs in respect of the bonds) in the total amount of NIS 423,409 thousand.

The principal of the bonds (Series A) will be repaid in eighteen (18) equal semi-annual payments, due on February 1 and August 1 of each of the years 2022 to 2030 (inclusive). The bonds bear interest of 2.05%, to be paid twice per year, on February 1 and August 1 of each of the years 2020 to 2030 (inclusive).

The bonds are not secured by a pledge, and the principal and interest in respect of the bonds are not linked to any index or currency. As part of the issuance of bonds (Series A), the Company undertook a negative pledge not to create any floating pledges whatsoever on all of its assets, unless it creates a floating pledge, of the same rank, pari passu, in favor of the bond holders (Series A).

In November 2021 the Company issued bonds (Series A) by way of a series extension in the total amount of NIS 242,960 thousand par value, for a net consideration (after deducting fees and direct costs in respect of the bonds) in the total amount of NIS 244,905 thousand.

As of the Report Date, the balance of interest payable in respect of the bonds amounts to NIS 3,035 thousand.

**Engagement in swap transactions in connection with the bonds (Series A) which were issued by the Company**

On January 14, 2020, the Company engaged in a cross currency swap transaction with an Israeli banking corporation, in respect of cash flow receipts in the amount of NIS 271,890 thousand, at a fixed annual interest rate of 2.05% (unlinked), vs. cash flow payments of PLN 300,000 thousand, at a fixed interest rate of 4.11%. The dates of the cross currency swap in respect of principal and interest are in accordance with the dates specified in the issuance of bonds (Series A).

On November 15, 2021, the Company engaged in a cross currency swap transaction with an Israeli banking corporation, in respect of cash flow receipts in the amount of NIS 232,688 thousand, at a fixed annual interest rate of 2.05% (unlinked), vs. cash flow payments of USD 75,000 thousand, at a fixed interest rate of 2.984%. The dates of the cross currency swap in respect of principal and interest are in accordance with the dates specified in the issuance of bonds (Series A).

The Company accounts for the aforementioned swap transactions in the Financial Statements as an accounting hedge to hedge its net investment in foreign operations.

**Energix – Renewable Energies Ltd.**  
**Notes to the Consolidated Financial Statements**

**(b) Convertible bonds (Series B)** – In September 2020, the Company completed an issuance of convertible bonds (Series B), in the amount of NIS 500 million par value. The convertible bonds (Series B) are repayable in a single payment on August 1, 2027, and bear fixed annual interest at a rate of 0.25% (unlinked). The interest will be paid twice per year, from February 1, 2021 to August 1, 2027 (inclusive). The convertible bonds (Series B) are convertible to Company shares from the issuance date until December 31, 2022, such that each NIS 18 par value of the bonds will be convertible into one ordinary Company share, and from January 1, 2023 to July 22, 2027, each NIS 100 par value will be convertible into one ordinary Company share, subject to the adjustments specified in the bonds (Series B). As of December 31, 2023, the adjusted conversion price (after adjustment for dividend distribution) is 92.04368.

In November 2021, the Company issued convertible bonds (Series B) by way of a series extension, in the amount of NIS 66.602 million par value.

The convertible bonds are not secured by a pledge, and the principal and interest in respect of the bonds are not linked to any index or currency. As part of the issuance of the bonds (Series B), the Company undertook a negative pledge not to create any floating pledges whatsoever on all of its assets, unless it creates a floating pledge, of the same rank, *pari passu*, in favor of the convertible bond holders (Series B).

The aforementioned convertible bonds constitute a hybrid financial instrument which, as of the issuance date, is separated into a liability component, which is presented under long-term liabilities (excluding current maturities, which are presented under current liabilities), and an equity component, which is presented under the Company's equity. The Company determined the fair value of the liability component based on the interest rate of similar debt instruments that do not include a conversion option. This component will be treated prospectively at amortized cost according to the effective interest method (at a weighted rate of 1.9%). The remainder of the consideration in respect of the convertible bonds was attributed to the conversion option implicit in the bonds. This component was carried to equity after deducting income tax effects, and is not remeasured in subsequent periods. The issuance costs were allocated on a proportionate basis to the components of the hybrid financial instrument, in accordance with the allocation of the consideration.

As of the Report Date, the balance of interest payable in respect of the bonds amounts to NIS 586 thousand.

**e. Financial covenants**

**1. Covenants which, if not fulfilled, will grant the holders the right to demand the immediate repayment of the bonds:**

As part of the issuance of bonds (Series A) and the convertible bonds (Series B), the Company undertook that so long as the bonds remain outstanding, it will fulfill the following financial covenants:

- In respect of the convertible bonds (Series A) - **Equity** will not fall below a total of NIS 360 million in two consecutive quarters. In respect of the convertible bonds (Series B) - **Equity** will not fall below a total of NIS 500 million in two consecutive quarters.
- The ratio of **solo net financial debt** to the **solo net balance sheet** will not exceed 80% in four consecutive quarters.
- The ratio of **consolidated net financial debt**, after deducting **systems under construction and development**, to **adjusted EBITDA**, will not exceed 18 for a period of four consecutive quarters.

On this matter, it is clarified that the terms emphasized above were defined in the Trust Deeds for the bonds, in accordance with the Company's characteristics.

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As of the Report Date the Company has been fulfilling the financial covenants, as specified below:

- Equity – NIS 2,370 million.
- Ratio of solo net financial debt to solo net total assets – 32%.
- Ratio of net consolidated financial debt, after deducting systems under construction and initiation, to adjusted EBITDA – 2.5.

Note that the financial covenants specified above are also included as breach clauses in other loan agreements of the Company, and as a result, a breach of any of the foregoing financial covenants could give rise to grounds for demanding the immediate repayment of other loans of the Company, amounting to NIS 3,966 million on aggregate as of the Report Date.

2. It is Noted that the Trust Deeds for the bonds (Series A and Series B) includes covenant which, if not fulfilled, will lead to compensation in the interest rate, covenants regarding the avoidance of dividend distributions, and a mechanism for adjusting the interest rate in case of a reduction of rating.

**Main grounds for demanding the immediate repayment of the bonds:**

The bonds (Series A) and the convertible bonds (Series B) include grounds for demanding the immediate repayment of the bonds, provided that the determined period to cure the aforementioned events has passed (as determined in the bond terms). Presented below are the main events of this kind:

- Non-fulfillment of financial covenants in respect of immediate repayment, as specified in subsection 1 above, unless the Company has pledged assets, as stated in the Trust Deed for the bonds.
- In case Alony Hetz's stake in the Company falls below 35%, with one shareholder holding a higher stake, which results in a reduction of the Company's rating, during 6 consecutive months, to a rating lower than BBB+.
- If the rating for the bonds is lower than BBB- in one quarter, except in case of a technical reduction of rating (as this term is defined in the bond terms).
- Changes to the Company's primary activity, such that the Company's primary activity is no longer the production of electricity.
- In case of a demand for immediate repayment of another listed bond series of the Company, or of (one or more) unlisted bond series, or of a loan (one or more) the balance of which, on the date of the demand for its immediate repayment, constitutes (cumulatively) 20% or more of the Company's total financial liabilities, or NIS 250 million, CPI-linked, whichever is higher, and the foregoing demand for immediate repayment has not been lifted / repaid within 30 days. This clause is a material cross-breach clause; however, as of the Report Approval Date, the Company does not have any loans which meet the preconditions for its activation.
- Except for a restriction pertaining to a sale in which the proceeds are designated for the purchase of an asset or for an additional investment or sale to a corporation which is under the Company's control, in case most of the Company's assets have been sold, and the bond holders have not given their advance consent for the sale in question, where "most of the Company's assets" means the sale of the Company's assets (in consolidated terms) during 12 consecutive months, whose value, after deducting their purchase cost, exceeds 40% of the Company's total consolidated assets.
- Additional standard grounds for demanding the immediate repayment of bonds, such as liquidation, receivership, discontinuation of rating, suspending of trading, etc.

As of the Report Date, no event has occurred in the Company which would have granted the holders the right to demand the immediate repayment of the bonds.

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**Notes to the Consolidated Financial Statements**

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## f. Other long-term liabilities

	<b>As of December 31</b>	
	<b>2023</b>	<b>2022</b>
	<b>NIS in thousands</b>	
Undertakings in connection with projects in operation and projects under construction (*)	90,968	7,035
Liabilities in respect of derivative financial instruments	145,024	188,712
Undertaking to vacate and restore	134,095	62,023
	370,087	257,770

(\*) As of the Report Date, the balance includes a contingent liability with respect to success fee of NIS 80 million, for acquisition of interest from the local partner in the Joint Venture USA – see Note 15(a)(3)(a) to the Consolidated Financial Statements.

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**Notes to the Consolidated Financial Statements**

**g. Agreement with Tax Partner to finance the construction of projects in the USA**

	As of December 31			
	2023		2022	
	NIS in thousands			
	Short term	Long-term	Short term	Long-term
Virginia 1	38,215	21,259	38,375	49,504
Virginia 2	42,664	80,020	41,657	114,235
Energix 3	139,798	498,452	-	-
	220,676	599,731	80,033	163,739

1. **Virginia Projects 1** – In September 2019 the Company entered into an agreement with Morgan Stanley, according to which Morgan Stanley invested a total of USD 47 million, against the receipt of interests in the projects, according to the standard practice for transactions of this kind, which mostly include the federal tax credit (ITC) and depreciation expenses for tax purposes in respect of the projects, as well as a proportional part of the projects' distributable cash flows, during the period specified in the agreement. Under the engagement, and as customary for such transactions, the Company provided a guarantee to secure the Company's entire indemnification undertaking. In March 2020, Morgan Stanley provided a total of USD 12 million, and in September 2020, following the commercial operation of all of the projects, the milestones for the provision of the balance of the investment, in the amount of USD 35 million, were fulfilled. The remaining amount which was invested by Morgan Stanley is presented under the items for short term and long-term liabilities in respect of the agreement with Morgan Stanley, according to the scheduled settlement dates of those liabilities. For additional information, see Note 3p(5).
2. **Virginia Projects 2** – In May 2021, the Company signed a series of agreements for engagement with Morgan Stanley as the Tax Partner in respect of 5 of the 6 projects with a capacity of 115MWp, according to which the Tax Partner invested a total of USD 55 million. The Tax Partner's investments were made against the receipt of rights, according to the standard practice for transactions of this kind, mostly including the federal tax credit (ITC), the depreciation expenses in respect of the projects, and a proportional share of the distributable cash flows from the projects. Under the engagement, and according to the standard practice for transactions of this kind, the Company provided a company guarantee to secure the Company's entire indemnification undertaking, including due to the breach of representations or the revocation of entitlement to receive the federal tax credit. In the sixth project, the Company is using the tax credits independently.
3. **Virginia Projects 3 and PA1 project** – In the Reported Period, the Company entered into an agreement with Morgan Stanley as Tax Partner for the 6 projects of Virginia 3 and PA1, whereby the Tax Partner would invest in total USD 280 million. The investment amount reflects an ITC tax credit of 40% for one project and of 30% for the remaining projects, and may increase by up to USD 100 million, depending on the ITC tax credit rate for which the projects would actually be eligible (depending on provisions of regulations yet to be made public). In the Reported Period, USD 179 million was provided with respect to completion of construction of all the facilities. The Company believes that the balance of the Tax Partner's investment should be received in the coming weeks.
4. **Negotiations for strategic collaboration, including investment from the Tax Partner** – For more information about negotiations for strategic collaboration on future Company projects in the UA, with initial capacity of 1GW or more, expected to be in commercial operation as from 2024 whereby, subject to signing of binding agreements, the strategic partner would provide the Tax Partner investment in said projects, see Note 10b2e1.

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Within the framework of the agreement, and in accordance with the standard practice for transactions of this kind, the Company provided a company guarantee to secure the execution of all of the payments and undertakings of the dedicated partnership and the project companies towards the Tax Partner by virtue of the contract documents, including an undertaking to indemnify the Tax Partner for damages which it may incur, if relevant.

For additional details regarding the IRA and the updated tax benefits by virtue thereof, and regarding the structure and terms of the engagement with the Tax Partner in respect of transactions in the USA, see Note 3p(5) and Note 10b(2) to the Annual Financial Statements.

In the Reported Period, the Company entered into an agreement with Morgan Stanley as tax partner for the 6 projects of Virginia 3 and PA1, whereby the Tax Partner would invest in total USD 280 million. This investment amount reflects a 40% ITC tax credit for one project and 30% for the other projects. The final amount invested by the Tax Partner may increase by up to USD 100 million, depending on the ITC tax credit rate for which the projects would actually be eligible (depending on provisions of regulations yet to be made public). In the Reported Period, USD 179 million was provided with respect to completion of construction of all the facilities. The Company believes that the balance of the Tax Partner's investment should be received in the coming weeks.

**Note 15 - Engagements and Additional Information Regarding the Company's Initiation and Development Activities**

In addition to what is stated in Notes 9, 14 and 25, presented below are details regarding the Company's engagements:

- a. **Details regarding development and development activities in the Photo-voltaic Segment and regarding relevant engagements**

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**Notes to the Consolidated Financial Statements**

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**(1) Strategic contracting by the Company and First Solar for purchase of panels:**

As part of the Company's routine panel purchasing activities, from time to time the Company engages with First Solar in panel purchase transactions for projects in the United States, Poland and Israel, including for projects which are expected to be built in the coming years. Panels which have been ordered are recognized in the item for systems under construction and initiation in the Financial Statements. Below is more information about two strategic contracts by the Company, to ensure regular supply of panels for its future operations, primarily in the USA:

1. On January 7, 2022, the Company entered into an agreement to purchase panels with a total exceeding 2GWp, for projects to be constructed by the Company in 2023-2026, at a total cost of hundreds of millions of USD. Other than a customary down payment, these panels are mostly paid for close to the actual panel delivery date.

The panels were purchased in accordance with the Company's strategic plan, guaranteeing an orderly and ongoing supply of panels to the Company until 2026, for photo-voltaic projects which are currently under development, which the Company believes will be constructed in 2023-2026 primarily in the USA. The Company believes that the purchase of the panels from First Solar will allow it, together with other equipment which it will purchase in the USA, to meet the required criteria for the purpose of eligibility for an additional tax credit of 10% in accordance with the IRA law.

2. In July 2023, the Company engaged, directly and through wholly owned subsidiaries, in a series of agreements to acquire additional panels in the years 2026-2030, with a capacity of 5GWp, for future projects which the Company intends to build in the photovoltaic segment in the United States. The Company has the right to increase (subject to availability) or decrease the supply of panels by an aggregate rate of up to 20%, not to exceed 800MWp in total.

The cost of purchasing the panels is estimated by the Company at a total of USD 1.5 billion, depending on the final capacity of the panels which will be purchased, and on the territory in which they are manufactured (inside or outside of the USA).

In accordance with the terms of the purchase transaction, the Company made in the third quarter advance payments to secure the orders, as customary for such transactions and similarly to previous panel purchase transactions from First Solar. The consideration in respect of the purchase of panels is mostly payable shortly before they are received.

Note that the cost panels purchased in Company transactions with First Solar would be financed from the Company's own resources, and from financing sources to be used by the Company for construction of the projects on which these panels would be used.

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(2) **Company operations in Israel**

**Operations in the Photo-voltaic Segment and in the Storage Segment**

**(a) Activities in the Photo-voltaic Segment through the Israel Joint Venture**

In general, and unless expressly agreed otherwise, from July 2016 until the end of 2020 the Company's activities in the Photo-voltaic Segment in Israel were executed through the Israel Joint Venture, which the Company formed with a local entrepreneurial company (hereinafter: the "**Entrepreneurial Company**"). The venture, in which the Company holds 70% (and the Entrepreneurial Company 30%), works through a limited partnership on the development, construction, operation and maintenance of projects in the Photo-voltaic Segment in Israel. The Company has full control over the venture's activities, excluding decisions involving the protection of minority interests, regarding which the venture must reach its decisions jointly with the Entrepreneurial Company. Since late July 2020, any new activity of the Company in the Photo-voltaic Segment in Israel is being executed within the framework of the Company's independent activity.

As of the Report Approval Date, all of the financing to provide the required equity for the venture's activities has been provided by the Company, against the provision of CPI-linked loans bearing annual interest rates of 8% or 10%, as applicable. On this matter, it was agreed that 70% of any distributable amount in the venture will be used to repay shareholders' loans which the partners have provided to the venture, and the balance of the distributable amount, at a rate of 30%, will be divided between the limited partners in accordance with their respective shares in the Joint Venture (i.e., 70% to the Company and 30% to the Entrepreneurial Company). For more information regarding the amount of financing which was provided by the Company for the venture's activity, see Note 11.

In the framework of the agreement, the parties undertook that throughout a period of 4 years (which concluded at the end of July 2020), any project that is advanced by either one of them in the area of activity (photo-voltaic activity in Israel, excluding net meter and dedicated tenders), shall be executed in the framework of the Israel Joint Venture and on its behalf. Furthermore, the agreement includes provisions regarding payments to the limited partners and preference in the repayment of shareholders' loans granted to the partnership, plus a return as agreed between the parties. The agreement also includes additional provisions as customary in agreements of this type, in respect of, inter alia, aspects of corporate governance, representations and indemnity commitments on the part of the entrepreneur.

So long as the joint venture agreement remains in effect, it was agreed that the construction of projects originating from the Israel Joint Venture, depending on the fulfillment of the regulatory terms, will be done through a designated contractor partnership which the Company holds 70%, and the Entrepreneurial Company 30% (the "**Contractor Partnership**"). For more information regarding the expiration of this undertaking upon the termination of the joint venture agreement, in light of the legal dispute between the parties, see below.

**Energix – Renewable Energies Ltd.****Notes to the Consolidated Financial Statements****(b) Legal dispute with the Entrepreneurial Company and direct engagement regarding the construction of the facilities**

The Company and the Entrepreneurial Company have been involved in a legal dispute since 2018. Due to the dispute, in early 2019 a claim was filed by the Company against the Entrepreneurial Company, due to the Entrepreneurial Company's breaches of its undertakings by virtue of the joint venture agreement, according to the Company's position, on all matters pertaining to the development activities of the Israel Joint Venture.

As part of the dispute between the parties, and in light of the fundamental breach of the Entrepreneurial Company's undertakings, to operate in the joint venture's field of activity exclusively on behalf of the joint operation (as specified in subsection 1 above), in August 2019 the Company notified the Entrepreneurial Company of the termination of the joint venture agreement. In response, the Entrepreneurial Company filed a claim against the Company, and subsequently the Company filed against the Entrepreneurial Company a counterclaim regarding projects which were promoted by the Entrepreneurial Company outside of the joint venture, in breach of the above.

Due to the termination of the joint venture agreement, according to the Company's position, the undertaking to build the projects through the contractor partnership expired (as specified in Section 2 above). Accordingly, beginning in August 2020, the construction and operation activities in respect of the systems which are owned by the Joint Venture are executed through a direct engagement of the joint venture partnership with executing contractors and service providers, instead of the engagement of the aforementioned contracting partnership in the Joint Venture Agreement.

In light of the above, beginning in 2020, the legal dispute between the parties developed into additional lawsuits between the two parties, and the assertions which have been made between them both in and out of those lawsuits. These include allegations of the entrepreneurial company against officers in the Company, and against the way in which the Company managed the joint venture operations, vs. The Company's demand to include all of the projects which were developed by the entrepreneurial company and/or other parties on its behalf during the commitment period, in the joint venture. As part of a procedural regulation which was agreed upon by the parties, the entrepreneurial company filed an amended statement of claim in which the remedy of liquidating the partnership between the parties was requested. In the Reported Period, the different claims were consolidated into a single proceeding, and the pre-trial proceedings in this case are ongoing. The entrepreneurial company's alleged assertions are wholly rejected by the Company, and certainly there are no grounds or basis for liquidating the partnership. The Company's legal advisors estimate that the entrepreneurial company's assertions will be dismissed, including those which were raised in the claim that it filed against the Company.

It is hereby clarified that the Company believes that the foregoing will not adversely affect the Company's continued activity in the Photo-voltaic Segment in Israel, whether through the joint venture or independently, and/or its financial results. Additionally, beginning from the expiration date of the commitment period in summer 2020, any new development activity which is performed by the Company in the Photo-voltaic Segment in Israel is performed by the Company independently.

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**(c) Independent operations in the Photo-voltaic Segment and in the Energy Storage Segment**

Company operations other than as part of the Israel Joint Venture are (100%) wholly and independently developed by the Company.

For details regarding the Group's active systems which are in the commercial operation and under construction in the Photo-voltaic Segment in Israel and the attributes of such operations, see Note 10b. For more information regarding financing which was given for the Group's systems which are classified as fixed assets in the Photo-voltaic Segment, see Note 14.

As of the Report Date, and as of the Approval Date of the Report, the Company is working independently (100%) on expanding the project backlog in the Photo-voltaic Segment (including storage capabilities) and in the Stand-alone Storage Segment under development, which may be constructed pursuant to Electricity Authority regulations, the market model regulation and competitive proceedings issued and to be issued by the Electricity Authority. As of the Report Approval Date, the Company had a backlog of projects under development with total capacity of 565MWp.

In this regard, in the Reported Period the Company won a tender in respect of a land reserve as part of a tender which was published by the Israel Land Authority, regarding planning and an option to purchase lease rights for the construction of a photo-voltaic facility including storage capabilities in an area of 780 thousand m<sup>2</sup>. Subject to the completion of the facility's development and planning (including approval of a new detailed plan, if approved), the Company intends to work on building, in the winning area, a photo-voltaic facility with a capacity of 70-80MWp, including storage capacity of 350-400MWh. The total land cost, in respect of the entire period, is expected to amount to NIS 36 million, of which NIS 7 million has already been paid by the Company.

For Company operations to construct a wind project in the Golan Heights, see Note 10b(5).

**(3) Company operations in the USA**

- (a)** Prior to April 2023, Company operations in the Photo-voltaic Segment in the USA were 100% owned and through a joint venture established with a local developer to promote photo-voltaic projects in the USA, in which the Company owned a 58% stake prior to April 2023 ("**USA Joint Venture**" and "**Venture Agreement**").

The joint venture is completely managed by the Company, subject to protection of the developer's minority interest rights, as customary for such transactions.

In accordance with understandings between the parties, the Company undertook to finance (including through subsidiaries) the venture's development activities through investments of capital or shareholder's loans, bearing return (interest) of 3 month LIBOR + 7%, and no less than 8.5% per year. In exchange, it was agreed that the Company will have priority in receiving the payment of the venture's distributable profits, up to the repayment of the entire amount of financing, which was provided by the Company, plus the returns which it has accumulated. For more information regarding the amount of financing which was provided by the Company for the activities of the US Venture, see Note 11.

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In April 2023 the Company acquired, through its wholly owned American subsidiary, the local partner's interests in the USA Joint Venture (the "Purchase Transaction"), such that the subsidiary holds all of the interests in the USA Joint Venture ("Acquisition Transaction"), such that the subsidiary wholly owns the USA Joint Venture, and all rights and obligations of the parties pursuant to the Joint Venture Agreement have expired. The transaction consideration consisted of (i) cash consideration amounting to USD 6.75 million; and (ii) additional consideration payable as success fees, depending on projects owned by the USA Joint Venture currently in various development stages, reaching commercial operation (or if sold to a third party), in an amount which is non-material relative to the construction cost of the projects. Accordingly, during the Reported Period the Company recognized a contingent liability in respect of success fees in the amount of NIS 80 million, which was recorded as a decrease in equity, in the capital reserve for transactions with non-controlling interests.

Accordingly, after the completion of the acquisition of the partner's rights, the Company's entire activity in the USA is wholly owned by the Company 100% (except for the Tax Partner's interests, where relevant).

**(b) Contracting agreements to expand the Company's project backlog in the Photo-voltaic and Storage Segment in the USA:**

As of the Report Date and as of the Report Approval Date, the Company strives to expand the project backlog under development by the Company in the USA, including by contracting agreements to acquire projects.

For more information about the Company contracting agreements to acquire projects in various development stages, see Note 9b(2)(e). Moreover, as of the Report Date, the Company is negotiations to acquire multiple projects in various development stages, expected to be connected to the PJM grid.

As of the Report Approval Date, the total scope of Company projects under development in the USA was 4.8GWp PV, and 6GWh storage.

For more information about Company projects in the USA in commercial operation, under construction or in pre-construction and under advanced development, including an overview of these operations and various contracts, see Note 10b(2).

**(4) Company operations in Poland**

In the Reported Period and as of the Report Approval Date, the Company strives to expand its project backlog under development independently or through acquisition of projects, and is in negotiations to acquire multiple projects in its operating segments in Poland, in various development stages. As of the Report Approval Date, the Company has projects under development in the Wind Segment with total capacity of 586MW, in the Photo-voltaic Segment with total capacity of 200MWp and storage capacity of 100MWh.

**(5) Energy storage activity:**

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in recent years, the global energy storage market has grown significantly, including in the Company's operating territories, and the Company estimates that the energy storage segment in recent years a major component of the renewable energy market in the coming years, both as a supplementary product which allows the accelerated integration of renewable energy facilities, and as standalone storage facilities which can assist, inter alia, in the stabilization of the power grid.

In light of the above, The Company is engaged in development and development, with the intention of reaching the construction, financing, management and operation of systems in the Storage Segment, in order to hold them as the owner over the long-term.

As of the Report Approval Date, the Company is developing projects in the Storage Segment, as part of construction of electricity generation facilities and as stand-alone projects. In this regard, the Company is constructing in Israel photo-voltaic projects with capacity of up to 137MWp, with integrated storage capacity of 448MWh. In Poland, the Company is preparing to construct its first stand-alone storage facility with capacity of 48MWh.

In the Reported Period and as of the Report Approval Date, the Company had projects in the Storage Segment in Israel, the USA and Poland with total capacity of 6.6GWh, in territories as follows:

	<b>Projects under development in the Storage Segment</b>
<b>Israel</b>	500 MWh
<b>Poland</b>	100 MWh
<b>USA</b>	6,000 MWh
	<b>6,600 MWh</b>

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**Notes to the Consolidated Financial Statements**

**Note 16 - The Company's Capital**

- a. Presented below are the composition of and movement in the Company's share capital, in nominal NIS:

<u>Date</u>	<u>Change</u>	<u>Registered Ordinary shares of NIS 0.01 par value</u>	<u>Issued and paid up Ordinary shares of NIS 0.01 par value</u>
<b>December 31, 2020</b>	<b>December 31, 2020</b>	<b>1,000,000,000</b>	<b>482,528,750</b>
In 2021	Exercise of share options by employees	-	5,671,431
<b>December 31, 2021</b>	<b>December 31, 2021</b>	<b>1,000,000,000</b>	<b>488,200,181</b>
In January 2022	Public issuance of shares	-	12,800,000
In January 2022	Private issuance of shares	-	13,000,000
In August 2022	Private issuance of shares	-	26,000,000
In 2022	Exercise of share options by employees	-	7,808,771
<b>December 31, 2022</b>	<b>Closing balance</b>	<b>1,000,000,000</b>	<b>547,808,952</b>
In 2023	Exercise of share options by employees	-	863,613
<b>December 31, 2023</b>	<b>Closing balance</b>	<b>1,000,000,000</b>	<b>548,672,565</b>

**b. Share-based payment**

For information regarding stock options granted to the CEO, a corporate officer and employees of the Company in 2019-2022, see Note 26. For more information regarding options which were provided subsequent to the Report Date, see Note 32e.

**Energix – Renewable Energies Ltd.**  
**Notes to the Consolidated Financial Statements**

**Note 16 - The Company's Capital (Cont.)**

**c. Capital raisings**

- (1) The Company has a shelf prospectus dated May 13, 2022, which allows the Company to raise funds from the public, insofar as funds may be required in order to finance its operations, which is in effect until May 2024.
- (2) In January 2022 the Company completed a capital raising through a public issuance of shares and by private placement amounting to NIS 337 million gross. The Company's issued and paid-up capital increased by around 25.8 million shares in this funding round.
- (3) In August 2022, the Company completed a private allocation to an institutional investor in the amount of 26 million shares, against an investment of NIS 339 million.

**d. Exercise and expiration of options**

In the Reported Period, 864 thousand non-negotiable options were exercised by Company employees. The immediate consideration received from exercise of non-negotiable options by employees amounted to NIS 942 thousand (the exercise price per employee option was NIS 11.48). The Company's equity increased by NIS 9.5 million. From the Report Date through the Report Approval Date, another 134 thousand options were exercised by employees. The immediate consideration from exercise of these additional options is NIS 1.47 million.

**e. Decision to distribute dividend**

On March 8, 2021, soon after approval of the Company's financial statements for 2020, a multi-year dividend policy was adopted by the Company's Board of Directors, according to which the Company will announce each year, proximate to the approval of its annual reports, the dividend amount which the Company intends to distribute in respect of that year. The amount of the annual dividend will be divided into 4 quarterly payments, whereby in light of business considerations, and in accordance with the provisions of any applicable law, the Board of Directors will be entitled, at any time, to make adjustments or to change the amounts which are distributed as dividends, or to decide not to distribute dividends at all.

Further to this policy, the Board of Directors determined that the dividend for 2023 will amount to a total of NIS 0.28 per share, to be paid in 4 equal quarterly payments of NIS 0.07 per share, subject to a specific resolution of the Board of Directors in each quarter.

The Company's Board of Directors also resolved to effect an additional dividend distribution in respect of the results for 2022, which will be paid together with the dividend for Q1 2023, amounting to NIS 0.18.

In accordance with the above, the Company paid dividends as follows:

- In March 2023 – special dividend for 2022 and for the first quarter of 2023, amounting to NIS 0.25 per share (NIS 137 million)
- In June 2023 – a dividend for the second quarter of 2023 amounting to NIS 0.07 per share (NIS 38 million).
- In August 2023 – a dividend for the third quarter of 2023 amounting to NIS 0.07 per share (NIS 38 million).
- In November 2023 – a dividend for the fourth quarter of 2023 amounting to NIS 0.07 per share (NIS 38 million).

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Furthermore, on March 5, 2024, after the Report Date and soon after approval of the Company's 2023 financial statements, the Board of Directors set the dividend for 2024 at NIS 0.40, payable in 4 equal quarterly payments of NIS 0.10 per share, all subject to a specific resolution by the Board of Directors in each quarter.

The Company Board of Directors also resolved to distribute an additional dividend with respect to 2023 results, payable together with the dividend for the first quarter of 2024, amounting to NIS 0.20, as well as a dividend for the first quarter of 2024 amounting to NIS 0.30 per share (NIS 164 million), payable in March 2024.

**Note 17 - Revenues from Sale of Electricity and Green Certificates**

	<b>For the year ended December 31</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>NIS in thousands</b>		
Sale of electricity from photo-voltaic systems (Israel, Poland, USA) (1)	191,101	164,730	133,543
Sale of electricity from wind farms in Poland	263,216	281,596	67,245
Sale of green certificates (2)	73,638	56,084	60,049
	<u>527,955</u>	<u>502,410</u>	<u>260,837</u>

1. Revenues from sale of electricity include revenues from providing a capacity commitment.
2. Revenues from the sale of green certificates include green certificates in respect of the production of electricity in Poland (Green Certificates), green certificates from the production of electricity in the USA (Renewable Energy Credits), and other certificates in Israel and in Poland. For more information, see Note 9.

**Note 18 - Other Revenues, Net**

	<b>For the year ended December 31</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>NIS in thousands</b>		
Revenues due to compensation (*)	152,760	23,027	-
Profit from the sale of green certificates, beyond reversal of impairment (**)	-	-	5,569
O&M revenues in respect of small and medium systems	39	194	220
Miscellaneous revenues (***)	1,153	1,694	-
	<u>153,952</u>	<u>24,915</u>	<u>5,789</u>

- (\*) Compensation due to the unwinding of fixed price financial transactions. For more information, see Note 9(3)4(c)2.
- (\*\*) Other income from green certificates includes receipts from the sale of green certificates which exceed the value of the certificates on the date of their production.
- (\*\*\*) Miscellaneous revenues primarily include Company revenues from sale of electricity as a virtual provider, as well as insurance payout received in Poland.

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**Notes to the Consolidated Financial Statements**

**Note 19 - Systems Maintenance and Other Expenses**

	<b>For the year ended December 31</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>NIS in thousands</b>		
Maintenance and communication expenses	63,898	38,376	31,532
System insurance	4,064	2,894	1,863
Operation wages	13,458	9,212	4,745
Others (*)	12,501	4,206	833
	<u>93,920</u>	<u>54,688</u>	<u>38,973</u>

(\*) Other revenues include loss from recognizing a provision for impairment of green certificates, amounting to NIS 12.2 million in 2023 and to NIS 4 million in 2022.

**Note 20 - Payroll and Related Expenses**

	<b>For the year ended December 31</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>NIS in thousands</b>		
Payroll and related expenses (*)	31,424	24,772	14,949
Vehicle maintenance	2,926	2,316	550
Share-based payment (**)	11,904	7,281	5,018
	<u>46,254</u>	<u>34,369</u>	<u>20,517</u>

(\*) For more information regarding the terms of employment of the CEO of the Company, see Note 25c.

(\*\*) For more information see Note 26.

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**Notes to the Consolidated Financial Statements**

**Note 21 - Initiation Expenses**

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Including costs in respect of projects which have not met the conditions for discounting. For more information regarding the capitalization policy, see Note 30.

**Note 22 - Administrative, Headquarters and Other Expenses**

	<b>For the year ended December 31</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>NIS in thousands</b>		
Management fees to the parent company (*)	9,518	7,773	5,765
Professional fees	15,376	11,562	7,331
Office and other (**)	20,416	11,561	6,921
	45,310	30,896	20,017

(\*) For information regarding a management agreement with the parent company, see Note 25a(1).

(\*\*) Primarily consisting of professional services, charitable donations, rent, telecom and IT expenses. For more information about signing an office lease with Amot, see Note 25b(3).

**Note 23 – Financing Income**

	<b>For the year ended December 31</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>NIS in thousands</b>		
Exchange differences, net	6,925	-	-
Linkage differences, net	848	-	-
Interest on loans granted	1,221	1,162	861
Interest on bank deposits, deposits and marketable securities	18,982	7,684	1,489
	27,976	8,846	2,350

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**Notes to the Consolidated Financial Statements**

**Note 24 - Financing Expenses**

	<b>For the year ended December 31</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>NIS in thousands</b>		
Fees	3,361	2,842	1,589
Interest on loans	40,279	14,922	6,977
Exchange and linkage differences, net	21,132	28,561	17,189
Loss on the fair value revaluation of derivatives	-	7,772	2,238
Interest expenses in respect of bonds	22,720	24,229	19,129
Tax partner financing expenses	5,193	4,566	1,710
Other financing expenses	8,879	8,312	1,123
	<b>101,565</b>	<b>91,205</b>	<b>49,955</b>

In the Reported Period, borrowing costs amounting to NIS 106,418 thousand were capitalized to Systems under Construction, of which NIS 48,853 thousand with respect to non-specific borrowing (in 2022 and 2021, capitalized borrowing costs amounted to NIS 46,775 thousand and NIS 23,714, respectively). The discount rate for non-specific borrowing in 2023 was 4.7%. For additional information, see Note 3g.

**Note 25 - Transactions with Related and Interested Parties**

**a. Transactions with the controlling shareholder or in which the controlling shareholder has a personal interest, as listed in Section 270(4) of the Companies Law – 1999.**

**(1) Management agreement with Alony Hetz**

In July 2023, the general meeting of the Company's shareholders approved, following the approval of the Audit Committee and Board of Directors, the Company's engagement in an extension of the management agreement with Alony Hetz from July 1, 2011, for an additional period of three years (from July 1, 2023 to June 30, 2026).

Similarly to previous periods of the management agreement, it was determined in the agreement that Alony Hetz will provide the Company with headquarters, consulting and business development services, in accordance with the Company's changing needs from time to time, and without a time limit (minimum or maximum). It was further determined that Alony Hetz will make its employees available to the Company to serve as directors (subject to the approval of their appointment by the general meeting), without additional payment, including the tenure of Mr. Nathan Hetz, CEO of Alony Hetz, who serves as the Company's Chairman of the Board. It is hereby clarified that in case of any change to the identity of any of the providers of management services on behalf of Alony Hetz, or in case the tenure is not renewed (or the identity is changed) of any directors on behalf of Alony Hetz, or if Mr. Nathan Hetz ceases serving as the Chairman of the Board, the foregoing will not constitute a breach of the management agreement.

Along with extension of the agreement, the management fees which Alony Hetz is entitled to receive in respect of the management services were updated, and beginning on July 1, 2023, the fees will be as follows:

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- (1) A fixed quarterly amount of NIS 5,300 thousand per year, CPI-linked;
- (2) A variable annual amount at 0.18% of carried amount of the original cost for facilities added to Company projects in commercial operation as from July 1, 2020, to be added to the fixed quarterly amount;

Management fee (fixed quarterly amount plus variable annual amount) would be capped at NIS 10.5 million per year, CPI-linked. The base CPI for calculation of these amounts is the CPI for June 2023. For more information regarding the amount of management fees for Alony Hetz, see Note 22 in Chapter C – Financial Statements.

It was further determined in the agreement that the Company will be entitled to terminate the management agreement, in case of a decline in the scope of activity invested by the officers of Alony Hetz at a rate exceeding 25% (cumulatively) per operating year, relative to the Company's estimate regarding the scope of activity invested by the aforementioned officers, regarding the provision of the management services, prior to the approval of the Company's extension of the management agreement. The aforementioned evaluation of the scopes of activity will be performed once per year by the Audit Committee, and a resolution regarding the termination of the agreement, if any, will be approved by the Audit Committee and the Board of Directors.

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**(2) Engagement with Alony Hetz in forward transactions to hedge its exposure to foreign currency**

Since 2017, following the approval which was given by the Board of Directors and the Audit Committee, in accordance with Regulation 1(5) of the Expedient Regulations, the Company has engaged, from time to time and in accordance with its needs, with Alony Hetz, the Company's controlling shareholder, in forward transactions to hedge its exposure to the USD/NIS exchange rate, or to other currency rates vis-à-vis the NIS, in order to hedge the Company's expected currency exposure, as part of the advancement of projects which the Company is promoting. This engagement is based on real time market quotes, and is subject to the total hedging limit for all transactions vis-à-vis Alony Hetz, in an amount which will not exceed USD 60 million per year.

In accordance with a resolution of the Company's Board of Directors, with the Audit Committee's recommendation, in May 2021, the Company may engage in forward transactions of this kind for three additional years after the approval date. As of the Report Date, there are no forward transactions in effect.

**b. Procedure for negligible transactions and other transactions with controlling shareholder, or in which the controlling shareholder has a personal interest**

**(1) Negligible transaction**

On April 6, 2011, the Company's Board of Directors determined that transactions with the controlling shareholder, or in which the controlling shareholder has a personal interest, which will be considered negligible for the purpose of Regulation 22(a) of the Securities Regulations (Periodic and Immediate Reports) – 1970, will be transactions which fulfill all of the following conditions:

- (1) The transaction is performed in the Company's ordinary course of business.
- (2) The transaction is performed under market conditions, and the terms of the engagement are conventional terms in the relevant market.
- (3) The expected contribution of the transaction to the statement of income, in annual terms (before tax impact), or its annual financial scope, in the event that the transaction is not recorded through the statement of income, does not exceed a total of NIS 50 thousand, or 0.125% of the Company's equity according to its audited Consolidated Financial Statements which were published as of December 31 of the year preceding the date when the transaction is reported; whichever is higher, regardless of whether it is implemented in a single transaction, or in a series of transactions on the same matter during that year. For this purpose, if the Company does not have all of the rights and obligations in respect of the transaction, the transaction will be evaluated according to the Company's relative share in the transaction.
- (4) The transaction was approved by the Company's Board of Directors, and the interested party notified the Board of Directors regarding its interest in that transaction.

For more information about negligible transactions conducted by the Company in the Reported Period, or from the Reported Period through publication of this report, see sections b(2), b(5), b(6), b(7) and d(5) below.

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**Notes to the Consolidated Financial Statements**

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**(2) Power purchase agreement with Amot (negligible transaction)**

On November 7, 2021, the Company's Board of Directors ratified the Company's engagement in an agreement for the sale of electricity to Amot (virtually), in accordance with the recommendation of the Audit Committee, which classified the transaction as insignificant. In this transaction, the Company agreed to virtually sell electricity to an Amot property, as from September 1, 2021 for 5 years, in conformity with terms and conditions of the Company's private provider license. In accordance with the commercial understandings between the parties, Amot was entitled to a discount on the electricity tariff, relative to the electric corporation's electricity tariff. The scope of the Company's revenue from the is engagement is insignificant. This agreement expired on August 31, 2023.

**(3) Agreements leasing offices from Amot**

The Company's offices are located in Amot Atrium Tower, at 2 Jabotinsky St., Ramat Gan (the "Company's Offices"). The Company's offices have been leased since June 2016 from Amot, the property owner, in a lease agreement in respect of the Company's offices.

In May 2020 the Company engaged with Amot in an addendum to the lease agreement, in which the total leased area was increased. As of the Report Date, it amounts to 1,055 square meters. The engagement with Amot in the addendum to the agreement was approved by the Company's Audit Committee and Board of Directors as a "non-extraordinary transaction", as defined in the Companies Law – 1999. The period of the agreement is 5 years, with an option to extend by an additional 5 year period.

Rent for Company offices and parking spaces, leased from Amot, in 2023 and 2022 amounted to NIS 1,936 thousand and NIS 1,869 thousand, respectively.

**(4) Agreement for the provision of rights of use to Alony Hetz, in respect of storage areas which the Company leases within the framework of a lease agreement with Amot (negligible transaction)**

On November 21, 2016 (following the approval of the Audit Committee), the Company's Board of Directors confirmed it as a negligible transaction, and accordingly, the Company engaged with Alony Hetz in an agreement for the provision of usage rights to Alony Hetz, in respect of storage areas which the Company leases within the framework of the lease agreement with Amot, beginning on October 1, 2016 (on the same date, an engagement which was in effect until October 1, 2016, to allow cross-use of the office areas, was ratified).

**(5) Purchase of crime insurance together with Amot and Alony Hetz (negligible transaction)**

From time to time, the Company obtains crime insurance policies jointly with Alony Hetz and Amot, as a transaction of negligible scope which does not constitute an extraordinary transaction as defined in the Companies Law – 1999. The most recent renewal of this insurance policy was approved in August 2021 by the Company's Board of Directors, with the Audit Committee's recommendation, for a period of three years, provided that the terms of the engagement do not significantly change.

**(6) Contracting with Alony Hetz for sharing inputs for receiving IT services (negligible transaction)**

On March 5, 2024, the Company Board of Directors, after approval by the Audit Committee, approved contracting by the Company of an agreement with Alony Hetz, for sharing inputs for receiving IT services from two employees of the Company's IT Department, who would provide services to Alony Hetz independently, at 10% of a full-time position. Alony Hetz would reimburse the Company for 10% of their total wages. This contract was approved by the Company's Audit Committee as a "non-exceptional transaction", as defined in the Corporate Act, 1999.

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**(7) Agreements leasing offices from Amot**

On November 12, 2023, the Company Board of Directors, after approval by the Audit Committee, approved contracting by the Company of a lease with Amot for leasing of offices in Holon for Company operations in Israel. Amot is controlled by Alony Hetz. The lease is for an area of 837 m<sup>2</sup>, for a 10-year term, with possible exit point after 7.5 years, at NIS 1,149 thousand per year (including management fee). This contract was approved by the Company's Audit Committee and by the Company Board of Directors as a "non-exceptional transaction", as defined in the Corporate Act, 1999.

**(8) Rooftop rental agreements with Amot**

The Company has a series of 30 small systems and 2 medium systems which are installed on the rooftops of Amot. The Company rents the rooftops from Amot within the framework of 20 year lease agreements commencing on the facility's date of commercial operation, in return for monthly rent at the rate of 10% of the Company's receipts from the Israel Electric Corporation in respect of the production of electricity. The agreement includes a minimum rental mechanism.

In 2022 and 2023, the Company paid Amot for the roof leases NIS 768 thousand and NIS 863 thousand, respectively.

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**c. Engagement with the Company's CEO**

Mr. Asa (Asi) Levinger, the Company's CEO, is employed in the Company under a signed employment agreement that is updated from time to time. In August 2022, the Company's general meeting approved the new compensation package and the updated terms of employment of the Company's CEO, in accordance with resolutions of the Company's Compensation Committee and Board of Directors in their meetings in August 2022. According to the terms of the compensation package, the employment terms of the Company's CEO, in effect for six years after July 1, 2022, are as follows:

- (1) The (gross) salary of the Company's CEO is NIS 120 thousand. The monthly salary of the Company's CEO will be linked (on a monthly basis) to the last known index which was published on the approval date of the general meeting, provided that it is no less than NIS 120 thousand, plus fringe benefits, social benefits and a vehicle, his monthly employment cost will amount to a total of NIS 150 thousand (the "**Employment Cost**").
- (2) The Company's CEO will be entitled to a measurable annual bonus cap in the fixed amount of 6 months of employment cost, where the actual amount of compensation will be performance-dependent, as part of the measurable component of the compensation plan. It is hereby clarified that the annual bonus may be paid in cash or as equity compensation instead of cash.
- (3) The CEO will be entitled to long-term equity compensation worth NIS 3,000 thousand, each year, for 6 years. Accordingly, after approval was received from the meeting, options for the acquisition of ordinary Company shares were granted to the Company's CEO in a total value of NIS 18,000 thousand, which will vest in three equal tranches over a period of 4, 5 and 6 years after the date when the Company's Board of Directors approved the updated compensation package. The exercise price will be NIS 17.68, the options will be exercised through a cashless mechanism, conditional upon the achievement of a target share price of NIS 21.44 (reflecting a price which is double the share price prior to the Board of Directors' approval (subject to adjustments and dividend distributions)).
- (4) It is noted that the long-term equity compensation which was provided to the Company's CEO as part of the compensation package for 2022 is in addition to and further to the long-term equity compensation which was granted to the Company's CEO as part of the compensation package from 2019, which includes long-term equity compensation in respect of three years, beginning in June 2022, with a total value of NIS 3,375 thousand.

The employment agreement of the Company's CEO will expire on July 1, 2028, or before then, subject to the provision of notice 90 days in advance if initiated by the Company, or 6 months in advance if initiated by the Company's CEO. Upon the termination of employment of the Company CEO by the Company (other than under circumstances that revoke the entitlement to severance pay), the Company CEO will be entitled to an adaptation period of 3 months, during which he will be entitled to full salary, including the related benefits. The employment cost of the Company's CEO (employer's cost, excluding bonuses and options) in 2023 amounted to NIS 1,795 thousand.

Below are details regarding the bonuses which were given to the Company's CEO with respect to 2023, as approved by the Company's Compensation Committee and Board of Directors, as from February 2023:

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- (i) Information regarding the annual bonus for 2023, which was given entirely in non-cash equity compensation, therefore leading the Company's Board of Directors to exercise its authority to accelerate all of the options, thereby making them exercisable immediately:

Type of compensation	Bonus cap as per compensation plan and based on the employment agreement of the Company's CEO	Bonus cap for 2023, as resolved by the Remuneration Committee and by the Company Board of Directors	Actual eligibility	Value in NIS	Actual grant
Component A of measurable bonus	6 months of salary cost. The annual cap and the weights in relation to each component is determined in advance by the Compensation Committee and the Board of Directors	1.8 months of salary cost (30% of 6 months)	4.7 months of salary cost	For the measurable component: NIS 744 thousand	The entire bonus amount of NIS 744 thousand was converted into 214 thousand immediately vested options
Component B of measurable bonus		1.8 months of salary cost (30% of 6 months)			
Component C of measurable bonus		1.68 months of salary cost (40% of 6 months)			

- (ii) For more information regarding the long-term equity compensation in accordance with the 2022 compensation package, see Section C(3) above.

For more information regarding the equity compensation, which was given to the Company's CEO, see Note 32e.

**d. Directors and corporate officers**

**(1) Insurance of directors and corporate officers**

The insurance regulation for directors and corporate officers in the Company is part of an umbrella regulation for the entire Alony Hetz Group. The regulation is for a period of 6 years commencing on July 1, 2018 and ending at the end of June 2024. This regulation was approved by the Company's Compensation Committee, the Company's Board of Directors, and the Company's general meeting, on May 2, 2018. The Audit Committee, Compensation Committee and Board of Directors also approved the application of all of the aforementioned regulations also to corporate officers who are controlling shareholders, or their relatives, from time to time, in accordance with Regulations 1b(5) and 1a1 of the Expedient Regulations (the "**Framework Transaction**"). Following significant changes in the market for directors and officers insurance in Israel and around the world, as reflected, inter alia, in a reduction of the scope of coverage in the policies, in a significant increase of insurance premiums, in expansion of the deductible in the policies, and the reduction of liability limits, on August 27, 2020, the Company's general meeting approved, after receiving approval from the Audit Committee and Board of Directors on August 6, 2020 and August 12, 2020, respectively, an update to the terms of the framework transaction for the acquisition of a liability insurance policy for the Company's officers, and the

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cancellation of the maximum limit which had been set for the amount of annual premiums for the purchase of the policy. In consideration of the fact that all of the Group's member companies benefit equally from the insurance coverage, such that the engagement in a framework transaction results in savings for each of the Group's member companies, and in consideration of the fact that changes in the market value of the companies, and the resulting exposures, and in accordance with the recommendation of the Group's insurance advisor, and following negotiations between the managements of the Group's member companies, the Company's Audit Committee and Board of Directors approved that the payment of the new premium, and of any premium which will be paid in the future for the purpose of acquiring a policy by virtue of the framework transaction in accordance with the framework regulation, will be divided equally between the Group's three member companies (and any additional public subsidiary of Alony Hetz, insofar as any exist during the period of the framework transaction), and that it is unnecessary to conduct an additional competitive proceeding during the period of the framework transaction.

It was further decided that in case, upon the renewal of the policy at the end of the insurance period, the premium has increased due to the filing of a claim or notice to another insurer in respect of one of the Group's member companies, the distribution of the liability to pay the premium will be adjusted between the Company and the foregoing companies, in a manner whereby, in the year after the year in which the claim / notice was submitted, the share of the Company regarding which the claim or notice was filed, will increase accordingly. Additionally, in case during the insurance period any or all of the policyholders are required to restore the liability limits of the policy, due to a claim which was filed against any of the companies, that company which, due to the filing of the claim against it, required the Group to restore the liability limits, as stated above, will bear the cost of restoring the policy's liability limits.

In light of the fact that the insurance for the Company's CEO is obtained under the policy for the other directors and officers, and under the same conditions, the Compensation Committee and the Board of Directors decided, in the foregoing meetings, to apply the current framework transaction to the Company's CEO as well, by virtue of Regulation 1a1 of the Companies Regulations (Expedients Regarding Interested Party Transactions) – 2000.

In accordance with the framework transaction, the liability limit is USD 75 million per event and per period, plus coverage for legal expenses, while the Company has the discretion to increase the liability limit, provided that the premium for the additional insurance policies which will be purchased in the coming years will be determined in negotiations between the Company and the insurance companies and the reinsurers (which are non-related parties), and that its cost is immaterial to the Company at that time. According to this agreement, Alony Hetz obtains from time to time insurance policies, including the following: (1) insurance policy for the period from July 15, 2020 through July 14, 2021, with liability cap at USD 75 million per case and period, plus coverage for legal expenses pursuant to Section 66 of the Insurance Contract Act, 1981, against payment of a premium amounting to USD 414 thousand for the entire Group. The Company's share is USD 138 thousand (the amount was shared equally by Group companies); (2) insurance policy for the period from July 15, 2021 through July 14, 2022, with liability cap at USD 75 million per case and period, plus coverage for legal expenses pursuant to Section 66 of the Insurance Contract Act, 1981, against payment of a premium amounting to USD 414 thousand for the entire Group. The Company's share is USD 138 thousand (the amount was shared equally by Group companies); (3) insurance policy for the period from July 15, 2021 through July 14, 2022, with liability cap at USD 65 million per case and period, plus coverage for legal expenses pursuant to Section 66 of the Insurance Contract Act, 1981, against payment of a premium amounting to USD 365 thousand for the entire Group.

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The Company's share is USD 122 thousand (the amount was shared equally by Group companies); (4) insurance policy for the period from July 15, 2023 through July 14, 2024, with liability cap at USD 65 million per case and period, plus coverage for legal expenses pursuant to Section 66 of the Insurance Contract Act, 1981, against payment of a premium amounting to USD 314 thousand for the entire Group. The Company's share is USD 105 thousand (the amount was shared equally by Group companies).

In accordance with the policy terms, there is no deductible for the corporate officers themselves, and the Company will be the entity which bears the deductible in an amount which will be agreed upon vis-à-vis the insurer.

**(2) Indemnity and release of directors and corporate officers**

On October 4, 2011, the general meeting approved a change in the Articles of Association of the Company, and the corresponding inclusion of the changes in the letter of indemnity, and to the extent required the expansion of the insurance policy, of corporate officers in the Company, to the effect that the Company is permitted to indemnify and insure directors and corporate officers in the Company (including from among the controlling shareholders or their relatives) in respect of events and expenses that are permitted in indemnity and insurance under the Law for the Efficiency of Enforcement Proceedings in the Securities Authority (Legislation Amendments) – 2011 (“**the Administrative Enforcement Law**”).

On May 2, 2018, and after approval was received from the Company's Compensation Committee and Board of Directors, the Company's general meeting approved the replacement of the Company's standard letters of indemnity with a new and updated version of the letters of indemnity (the “**General Meeting's Decision**”). As part of the above, and in order to best adjust the wording of the letter of indemnity to the Company's activity, and to legislative amendments, the wording of the letter of indemnity was improved by adding sections to the body of the letter of indemnity, and the scope of the indemnity was expanded to include additional events.

In accordance with the general meeting's decision, the letters of indemnity (according to the new version) were provided to the Company's directors and corporate officers, including to corporate officers who are among the controlling shareholders or their relatives, and the Company's CEO.

The amount of indemnity that shall be payable by the Company to all or any of the officers in the Company in the aggregate under all of the letters of indemnity that have been or will be issued to them, will be limited to a total amount that shall not exceed 25% of the equity of the Company as per the most recent Consolidated Financial Statements published by the Company prior to the actual payment of the indemnity.

Additionally, the corporate officers in the Company were provided with letters of release in the format that is customary in the Company, in accordance with the provisions of the Companies Law and the of the general meeting of the Company's shareholders on July 9, 2017.

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(3) **Directors' compensation**

Pursuant to a resolution that was passed by the Company, directors in the Company will be paid an annual compensation and a compensation for their participation in meetings of the Board of Directors and its committees in the sum of the “fixed amount” within its meaning in the Companies Regulations (Rules regarding Compensation and Expenses of an Outside Director) – 2000 (“**the Compensation Regulations**”). In accordance with the Compensation Regulations and based on the equity of the Company as per its financial statements as of December 31, 2022, in the Reporting Period the Company has a E rating. Accordingly, during the Reported Period, the fixed annual compensation was NIS 95 thousand and the fixed compensation for participation in a meeting is NIS 3.3 thousand (these amounts are updated from time to time based on the updating mechanism that is set out in the Compensation Regulations).

The total cumulative payments that were received by the two outside directors and the two independent directors amounted to NIS 337 thousand.

It is hereby clarified that, as long as the management agreement with Alony Hetz is in effect, directors in the Company who are employed by the Alony Hetz Group shall not be entitled to directors' compensation.

On August 14, 2022, the general meeting of the Company's shareholders approved the granting of options to directors who are not the controlling shareholders and who are not employees of the Company and/or corporate officers of Alony Hetz, including to outside directors, who will hold office in the Company from time to time. The options will be granted once per year by the Company's Board of Directors, to each director, as stated above, who serves on the grant date, in each of the years 2022-2025, proximate to the approval of the Company's periodic annual report. The value of the options will be equal to 50% of the annual compensation which is paid to that director (excluding compensation for participation in the meetings of the Board of Directors and its committees), and the exercise period, exercise date, exercise price and other terms of the options will be determined in accordance with the Company's compensation policy and options plan which will be in effect at the time. It was also approved, in respect of a director who is entitled to equity compensation, that in case their first tenure commencement date occurs after equity compensation was already given to directors in that calendar year, but that date occurs more than 6 months before the date of the next expected annual allocation, the Company's Board of Directors will allocate to that director, upon their appointment, options according to the proportional part of the value of the options to which that director is entitled in that year, in accordance with their remaining period of tenure, from the date of their appointment as a director in the Company, until the next scheduled annual option allocation date.

Accordingly, on March 5, 2024, the Company's Board of Directors resolved to grant to Linda Ben Shushan, Orna Hozman-Bechor, Einat Tzafrir and Meir Shani, 61 thousand options for Company ordinary shares (15 thousand options each), worth in total NIS 203 thousand, in accordance with the Company's stock option plan dated February 2024.

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- (4) **Engagement in framework transaction with Value Base Ltd. – which is held, inter alia, by Mr. Nathan Hetz, the Company’s Chairman of the Board (15.76% stake in the Company)**

On November 10, 2021, the Company’s Board of Directors approved, after receiving the approval of the Audit Committee, as a 3 year framework transaction, the Company’s engagement with Value Base Underwriting and Securities Distribution Ltd. (“**Value Base**”), which during the Reported Period, is a company in which the Company’s Chairman of the Board has a personal interest. The approval was given in respect of engagements for the receipt of services for the purpose of raising capital or issuing bonds, provided that the terms of the engagement are performed in market conditions, provided that the cumulative amount which will be paid to Value Base in respect of its services to the Company throughout each of the three years will not exceed a total of NIS 1.875 million per year. By virtue of this approval and in accordance with its terms, the Company entered into engagements with various distributors, including Value Base, for the purpose of consulting and managing the issuances which were performed by the Company during the Reported Period.

- (5) **Donation to the NPO “Hetz Umatara”, which was founded and is managed by the daughter of the Chairman of the Board (insignificant transaction)**

The Company granted a donation in a negligible amount to the NPO “Hetz Umatara”, which was founded and is managed (without consideration) by Dr. Adva Sharvit, daughter of Nathan Hetz, the Company’s Chairman of the Board, after the Company’s Audit Committee and Board of Directors evaluated the NPO’s activities, and the event’s status as synergistic with the Company’s activities.

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- e. **Benefits to key management personnel of the Company who are employed in the Group (with the exception of directors' fees and share-based payment, all amounts pertain to the Company's CEO, CFO, VP Legal and Company Secretary, VP Business Development and Israel Development Manager)**

	Number of recipients			For the year ended December		
	2023	2022	2021	2023	2022	2021
	NIS in thousands					
Directors' fees	4	4	4	663	720	531
Short term employee benefits	5	5	5	5,312	4,847	4,249
Post-employment benefits	5	5	5	1,018	939	805
Share-based payment	5	5	5	7,179	4,658	2,341
				14,172	11,164	7,926

Total payments by the Company for internal audit services in 2023 amounted to NIS 72 thousand, with respect to internal audit services provided to the Company during this year. (In 2022 and 2021, Company expenses for internal audit services amounted to NIS 48 thousand and NIS 75 thousand, respectively).

During the Reported Period, no benefits were paid to key management personnel that are not employed in the Group other than directors' compensation, as described above.

- f. **Additional information regarding balances and transactions with related parties**

(1) **Balances with related parties**

	As of December 31	
	2023	2022
	NIS in thousands	
<b>Liabilities</b>		
Trade payables and other payables and credit balances (Amot Investments)	50	61
Trade payables and other payables and credit balances – other related companies	524	91
Trade payables and other payables and credit balances (Alony Hetz)	4,600	4,211
Accrued expenses – directors' compensation	160	192
Lease liability (Amot Investments)	12,738	14,594

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(2) Transactions with related parties

	For the year ended December		
	31		
	2023	2022	2021
	NIS in thousands		
Interest and depreciation expenses in respect of lease liabilities from a related party (*)	1,362	1,247	1,601
Expenses in respect of management fees to the parent company	9,505	7,716	5,765
Expenses for directors' compensation	663	720	531
Revenues from operation services to a limited partnership	-	-	226

(\*) For more information, see subsection b(2) of this Note.

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**Note 26 - Share-Based Payment**

**a. Below are officer and employee remuneration plans as of December 31, 2023**

	<u>Number of recipients</u>	<u>Number of granted options</u>	<u>Of which to the CEO</u>	<u>Of which to corporate officers</u>	<u>Economic value on grant date, NIS in thousands</u>	<u>Balance of options as of the Report Date</u>	<u>Exercise addition per option in NIS (₪)</u>	<u>Expiration date</u>
2019 (**)	1	4,593,150	4,593,150	-	3,375	4,593,150	11	19/06/2024- 19/06/2026
2021	70	2,680,937	551,843	904,927	4,032	1,486,224	12.07	18/04/2024- 18/04/2023
2022 (***)	-	10,000,000	10,000,000	-	18,000	10,000,000	17.68	09/04/2027- 09/07/2029
2022 (****)	11	7,933,334	-	2,999,999	18,625	7,266,666	17.68	09/04/2027- 09/07/2029
2022	94	2,607,406	376,280	582,023	5,682	2,160,645	11.578- 15.138	29/12/2024
2023	108	3,541,635	266,270	583,189	11,411	3,186,857	14.407- 11.170	30/04/26- 30/08/26

(\*) The exercise addition for options in NIS is after price adjustments in respect of the dividends which were distributed during the years 2019-2022.

(\*\*) Long-term plan for the Company's CEO. For more information, see Note 25c. The options will vest in 3 tranches: 1/3 of the options (the first tranche) will expire on June 19, 2024; 1/3 of the options (the second tranche) will expire on June 19, 2025; and the remaining options (the third tranche) will expire on June 19, 2026 (\*\*\*). Long-term plan for the Company's CEO, for additional details see Note 25C. the options will vest in 3 tranches, and will expire on July 9, 2028. (\*\*\*\*) Long-term plan. the options will vest in 3 tranches, and will expire on July 9, 2028.

For more information regarding the allocation of options to employees, to the Company's CEO, and to corporate officers, after the balance sheet date (including instead of a cash bonus), see Note 32e.

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**Note 26 - Share-Based Payment (Cont.)**

**b. Parameters used in calculating the benefit embodied in the options:**

<b>Plan</b>	<b>2019 <sup>(3)</sup></b>	<b>2020 <sup>(4)</sup></b>	<b>2021 <sup>(3)</sup></b>	<b>2022 <sup>(3)</sup></b>	<b>2022 <sup>(3)</sup></b>	<b>2023 <sup>(3)</sup></b>
Share price (in NIS)	6.51	10.7-14.5	11.26-11.26	10.72-14.1	10.72	10.49-13.34
Exercise price (in NIS)	11.07	11.85-15.66	12.25-12.249	11.578-17.68	17.68	11.378- 14.407
Weighted expected volatility (1)	27.10%	25.5%- 31.8%	35.2%- 35.2%	32.37%- 41.19%	32.37%	35.41%- 38.95%
Average life of the options (in years) (2)	4-6	2.83-3.08	2.83-3.08	2.83-6	6.00	2.83-3.08
Risk-free interest rate	0.01	0.12%- 0.33%	0.25%- 0.27%	0.29%- 3.236%	0.03	4.073%- 4.112%
Expected dividend rate (6)	-	-	-	-	-	-
Total benefit (NIS in thousands)	3,375	5,394	4,032	24,307	18,000	11,411
Amortized amount (NIS in thousands) (5)						
2023	549	-	282	3,350	899	2,912
2022	687	342	1,318	3,841	1,838	-
2021	687	1,344	3,381	-	-	-
2020	689	1,754	-	-	-	-
2019	392	1,500	-	-	-	-

(1) Determined based on the historic volatility of the share prices of the Company.

(2) The lifetime of the options is determined according to management's projections as to the period of holding by the option recipients, taking into account their positions in the Company and the Company's past experience regarding the employee turnover rate.

(3) The options will vest two years after the grant date, except for options which were granted in lieu of a cash bonus, and which vested immediately  
In accordance with the resolution of the Company's Board of Directors.

(4) Long-term plans for the Company's CEO, which were granted in 2019 and in 2022. For more information, see Note 25c.

(5) Part of the amortization of the share-based payment bonus plans is capitalized to qualifying assets. For further details, see Note 3j(3).

(6) The exercise addition is dividend-adjusted.

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**Note 26 - Share-Based Payment (Cont.)**

- c. Presented below are developments in the options granted to the corporate officers in the Company and its employees:

	2023		2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance as of January 1	14,913,623	9.92	8,889,835	9.92
Granted during the year	3,541,635	11.48	10,634,924	17.20
Forfeited during the year	(3,491,253)	13.17	(415,687)	14.39
Exercised during the year	(863,613)	12.25	(4,195,449)	6.54
Balance as of December 31	14,100,392	9.36	14,913,623	15.83
Options exercisable as of December 31	6,079,374	10.91	11,621,994	6.61
Anticipated consideration from the exercise of the outstanding options as of December 31 (NIS in thousands)	131,960		235,908	

(\*) The share price close to the report publication date was NIS 13.39.

The table presented above does not include the granting of 14.6 million options through a cashless mechanism, which were granted to the Company's CEO in the years 2019 and 2022, as part of the long-term compensation plan. For additional information regarding the compensation plan, see Note 25c.

**Note 27 - Earnings (Loss) Per Share**

	For the year ended December 31		
	2023	2022	2021
	NIS in thousands		
<b>Profit attributable to the holders of ordinary shares</b>			
Profit for the year used in calculating basic and diluted loss per share	258,256	236,690	79,319
<b>Weighted average number of ordinary shares used in computing the basic and diluted earnings per share from continuing operations</b>			
Balance at beginning of year	547,808,952	488,200,181	482,528,750
Effect of shares issued in the period (*)	863,613	41,275,772	3,925,620
Weighted average for the year ended December 31	548,672,565	529,475,953	486,454,370
Dilutive effect of options which were issued during the period	626,850	1,830,140	7,273,965
Diluted weighted average for the year ended December 31	549,299,415	564,145,257	493,728,335

(\*) After taking into account the exercise of options of the Company's CEO and the Company's employees (in 2019 – also including exercise of options (Series 3) into shares during the period.

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Presented below are data regarding profit for the year used in the calculation of basic and diluted loss per share:

	<b>For the year ended December 31</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>NIS in thousands</b>		
Profit used to calculate basic earnings per share	258,257	236,690	79,319
Bonds convertible into ordinary shares	-	8,811	-
<b>Profit used to calculate diluted earnings per share</b>	<b>258,257</b>	<b>245,501</b>	<b>79,319</b>

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**Note 28 - Taxes on Income**

**a. Details regarding the Group's tax environment**

The provision for current taxes of the Company and its investee entities in Israel was determined based on the provisions of the Income Tax Ordinance (New Version), 1961 (hereinafter: "the **Ordinance**").

As to the share of the Company in investee partnerships – in accordance with the provisions of Section 63 of the Income Tax Ordinance (New Version), 1961, the share of the partnership's income to which each partner is entitled in the tax year will be deemed as the income of such partner and will be included in its tax return.

In respect of photo-voltaic systems which were connected to the grid beginning on January 1, 2016, the depreciation rate is 7%, in accordance with an update stipulating that accelerated depreciation will be permitted for photo-voltaic systems which produce electricity for self use only. However, the Company received approval from the Tax Authority stating that, depending on certain conditions, the Company and its subsidiaries and subsidiary partnerships in Israel meet the definition of an industrial venture, pursuant to the Encouragement of Industry (Taxes) Law – 1969. Accordingly, subject to compliance with conditions of the Tax Authority approval, the Company and its subsidiaries and subsidiary partnerships in Israel depreciate the photovoltaic systems according to the accelerated rates of depreciation which apply to industrial ventures.

Regarding the tax environment abroad – the provision for current taxes of corporations in the Group (in Poland and in the Netherlands, through which the Company controls projects in Poland and in the United States) was determined in accordance with the applicable law in those countries.

**b. Tax rates applicable to the Group**

<b>Country</b>	<b>Corporate tax rate</b>	<b>Remarks</b>
<b>Israel</b>	23%	
<b>Poland</b>	19%	Withholding rate of tax at source on interest payments – 5% (subject to certain conditions)
<b>Netherlands</b>	20%-25%	
<b>Luxembourg</b>	24.94%	
<b>USA</b>	Federal tax – 21% State tax – around 5%	Withholding rate of tax at source on interest payments – 17.5%. Withholding rate of tax at source on dividend distributions – 12.5% (subject to the tax treaty)

Current and deferred taxes for the Reported Period are calculated according to the tax rates presented in the above table.

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**c. Tax benefits in the Group's field of activity in the USA**

By virtue of the provisions of American law, the Group is entitled to a tax credit in respect of photo-voltaic projects which it builds and operates in the USA, in the form of an investment tax credit (ITC).

In August 2022 the Inflation Reduction Act of 2022 entered into effect, which established, inter alia, the provision of long-term economic incentives for the promotion of climate and energy programs. The programs include, inter alia:

- (1) Extension of the period of entitlement to the ITC tax credit, such that it will remain in effect until 2032, instead of 2026;
- (2) Increasing the rate of the ITC tax credit to a fixed rate of 30% for the entire period, instead of the current rate of 26%, with a significant decrease over the years;
- (3) Additional benefits in connection with the receipt of the ITC tax credit, including the possibility to sell the right to the tax credit, instead of adding a partner;
- (4) Tax benefit at a rate of up to 10% of the total construction cost for renewable energy projects, including storage, which are built together with equipment which is produced in the USA;
- (5) Additional tax benefit at a rate of up to 10% of the total construction cost for projects built in areas defined as "brownfield sites", which allow optimal use of the land, e.g., construction of facilities on abandoned coal mines, or areas designated for economic development, etc.

As of the Report Date, regulations pursuant to the Inflation Reduction Act, 2022, effective as from August 2022 ("IRA") have yet to be issued. These regulations will set the criteria for eligibility to additional ITC tax credit at 10% for made in USA.

Additionally, regarding the depreciation rate for tax purposes in respect of systems for the production of electricity using photo-voltaic technology in the USA, the Company is entitled, in its discretion, to depreciation over a period of 12 years, or to accelerated depreciation over one year (bonus depreciation) or over 5 years, in respect of most of the system's costs.

For more information regarding agreements between the Company and the Tax Partner for projects in the USA, see Note 14g.

**Energix – Renewable Energies Ltd.**  
**Notes to the Consolidated Financial Statements**

d. Income tax expense (income) components

	<b><u>For the year ended December 31</u></b>		
	<b><u>2023</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>
	<b><u>NIS in thousands</u></b>		
<b>Current tax expenses</b>			
For the current year	183,952	12,340	28,792
Prior year adjustments, net	<u>(22,222)</u>	<u>(247)</u>	<u>-</u>
	<u>161,730</u>	<u>12,093</u>	<u>28,792</u>
<b>Deferred tax expense (income)</b>			
Creation and reversal of temporary differences	(148,457)	67,090	9,088
Reversal of amortization of deferred tax assets	<u>51,310</u>	<u>(21,417)</u>	<u>(14,693)</u>
	<u>(97,147)</u>	<u>45,673</u>	<u>(5,604)</u>
Total tax on income expenses	<u><u>64,584</u></u>	<u><u>57,766</u></u>	<u><u>23,188</u></u>

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**e. Deferred taxes**

Deferred taxes as of December 31, 2023 and 2022 were calculated according to the tax rate which is expected to apply on the reversal date.

Below is composition and movement of deferred taxes for the years ended December 31, 2023 and 2022:

<b>2023</b>	<b>As of December 31, 2022</b>	<b>Amount carried to profit or loss</b>	<b>Carried to other comprehensive income</b>	<b>As of December 31, 2023</b>
Carryforward tax losses	68,867	(35,860)	44,280	77,288
Initial adoption of IFRS 16	316	-	-	316
Electricity production systems	(170,565)	(34,896)	(4,020)	(209,480)
Financial instruments	35,133	(17,286)	(14,288)	3,560
Employee benefits	483	(102)	-	381
Deferred revenues	(14,097)	1,606	3,782	(8,709)
Projects in the USA (*)	26,385	158,569	24,521	209,475
Investment in investee	(41,895)	(9,646)	-	(51,541)
Other	(10,962)	2,714	(3,702)	(11,950)
Unrealized gains on inter-company transactions	72,053	32,116	-	104,169
Balance of deferred tax	<u>(34,281)</u>	<u>97,217</u>	<u>50,573</u>	<u>113,509</u>
<b>Deferred tax liability on the statement of financial position as of December 31, 2023</b>				<u><u>(89,217)</u></u>
<b>Deferred tax asset on the statement of financial position as of December 31, 2023</b>				<u><u>202,726</u></u>

(\*) Mostly deferred taxes in connection with projects for the production of electricity in the United States, including in connection with a liability in respect of the agreement with the Tax Partner and with respect to construction and development profits for the projects.

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<b>2022</b>	<b>As of December 31, 2021</b>	<b>Amount carried to profit or loss</b>	<b>Carried to other comprehensive income</b>	<b>As of December 31, 2022</b>
Carryforward tax losses	50,062	21,434	(2,629)	68,867
Initial adoption of IFRS 16	316	-	-	316
Electricity production systems	(131,210)	(37,737)	(1,617)	(170,565)
Financial instruments	(20,616)	(18,645)	74,394	35,133
Employee benefits	371	112	-	483
Deferred revenues	(5,279)	(8,315)	(503)	(14,097)
Projects in the USA (*)	29,757	(7,900)	4,528	26,385
Investment in investee	(39,423)	(2,472)	-	(41,895)
Other	559	(11,797)	276	(10,962)
Unrealized gains on inter- company transactions	52,405	19,648	-	72,053
Balance of deferred tax asset	<u>(63,058)</u>	<u>(45,672)</u>	<u>74,449</u>	<u>(34,281)</u>

**Deferred tax liability in the  
statement of financial position  
as of December 31, 2022**

(91,258)

**Deferred tax asset in the  
statement of financial position  
as of December 31, 2022**

56,935

**f. Theoretical tax**

The difference between the amount calculated at the ordinary tax rates and the amount of provision for taxes is explained as follows:

	<b>For the year ended December 31</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>NIS in thousands</b>		
Pre-tax profit (including equity)	253,198	235,861	71,567
Adjustment for profit in respect of income from Tax Partner	69,452	57,815	30,825
Total	322,650	293,676	102,393
Primary tax rate of the Company	23%	23%	23%
	74,209	67,545	23,550
Tax increment (saving) in respect of: In respect of subsidiaries operating outside of Israel	(3,175)	(8,841)	(1,475)
Non-deductible expenses	2,696	1,647	1,187
Update to deferred taxes in respect of carryforward losses	(14,158)	-	-
Provision for taxes	6,756	-	-
Other differences	(1,745)	(2,585)	9
	(9,626)	(9,779)	(362)
Income tax expense (income) from continuing operations	64,583	57,766	23,188
Effective tax rate	20%	20%	23%

**Energix – Renewable Energies Ltd.**  
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**g. Unrecognized deferred tax liabilities**

As of December 31, 2023 and 2022, a deferred tax liability pertaining to associate companies and subsidiaries was not recognized, because the decision as to whether to sell those company rests with the Group, which does not intend to sell in the foreseeable future, except for deferred tax liabilities in respect of the company that holds the Group's project companies in Poland, for which a liability of this kind was recognized, due to the Company's estimate that it will distribute the receipts to the Company in the foreseeable future.

**h. Tax assessments**

The Company has been issued tax assessments deemed final through the 2018 tax year. Consolidated companies in Israel have not yet been issued final tax assessments since their inception. The consolidated companies in Poland have been issued tax assessments deemed final through the 2017 tax year. The Company has a final income tax assessment in respect of deductions through 2017. Moreover, the Company is in negotiations of tax assessments with tax authorities. The Company believes that no provision is required on the financial statements with respect to these negotiations.

**i. Carry-forward losses**

As of the report date, the Company has carry-forward loss in Israel, amounting to NIS 202 million, for which the Company recognized deferred taxes.

**Note 29 - Information Regarding Operating Segments**

As of the Report Date, the Group has two reportable segments, as specified below, which constitute business units of the Group. These business units include various operations, and the allocation of resources and evaluation of performance are managed separately because they require different technology and modes of operation. The following summary describes the operations in each of the Group's operating segments:

- Photo-voltaic Segment (in Israel, USA and Poland) – Development, construction and connection of photo-voltaic systems for the sale of electricity to the power grid, and operation thereof over their active periods.
- Wind Energy Segment (in Israel and in Poland) – development, development, and connection of projects for the sale electricity produced using wind energy and their operation over their active period.

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The relevant storage activity is included as integral part of the aforementioned Photo-voltaic Segment.

Although those business units have similar characteristics (licensing processes, structure of engagement with construction contractors and financing entities), each unit is an independent market unto itself, and is subject to different regulations. Additionally, the business units possess different characteristics, both as regarding the nature of development, the manner of operation, the equipment and the suppliers of the equipment as well as the complexity of the activity itself.

For each business unit, the Chief Operating Decision Maker and the Company's management board review, at least once every quarter, the internal management reports (in which the results of the Granot Partnership for 2021 are presented according to the Company's share in the partnership (50%)).

Segment profits are measured based on the profit (loss) before financing, taxes, depreciation and amortization (EBITDA) as included in the reports that are regularly reviewed by the Chief Operating Decision Maker and management. This indicator is used to measure the segment results since the Chief Operating Decision Maker and management believe that such information is the most relevant in evaluating the results of the segments relative to, inter alia, other entities that operate in the same fields of activity.

The results of the segment include items which are reasonably attributable to that segment, including depreciation expenses in respect of connected systems and financing expenses which materialized in respect of external financing.

The Company's Chief Operating Decision Maker reviews segment results excluding the impact of IFRS 16 and the amendment to IAS 23. Therefore, rent payments are presented as operating lease expenses (rather than as depreciation and financing expenses), without capitalizing non-specific borrowing costs for systems under construction and adjustments with respect to reversal of effects of the aforementioned standards on segment results, presented under the Adjustments column.

Segment assets comprise connected facilities and projects under construction, whereas segment liabilities comprise loans taken, as included in reports provided regularly to the Chief Operating Decision Maker and to management of the Company.

**Energix – Renewable Energies Ltd.**  
**Notes to the Consolidated Financial Statements**

**Note 29 - Data Regarding Operating Segments (Cont.)**

	For the year ended December 31, 2023							
	Photo-voltaic		Wind		Total reportable segments	Unallocated revenues (expenses)	Adjustments	Total consolidated
	Israel	USA	Poland	Israel (*)				
	NIS in thousands							
	(Audited)							
Revenues from the sale of electricity	147,479	39,510	263,215	-	450,204	4,112	-	454,316
Revenues from the production of green certificates	754	8,620	64,264	-	73,638	-	-	73,638
Other revenues, net	1,192	-	152,760	-	153,952	-	-	153,952
Maintenance expenses	(32,191)	(14,655)	(63,629)	-	(110,475)	(2,980)	19,535	(93,920)
Initiation expenses	(2,712)	(9,523)	-	(4,646)	(16,881)	-	-	(16,881)
Payroll and related expenses, administrative, headquarters and other expenses	(3,186)	(28,637)	(10,768)	-	(42,591)	(48,973)	-	(91,564)
<b>Profit (loss) before financing, taxes, depreciation and amortization</b>	<b>111,336</b>	<b>(4,685)</b>	<b>405,842</b>	<b>(4,646)</b>	<b>507,847</b>	<b>(47,841)</b>	<b>19,535</b>	<b>479,541</b>
Depreciation and amortization	(45,796)	(29,555)	(52,782)	-	(128,133)	(3,024)	(21,596)	(152,753)
Financing expenses, net	(46,470)	(14,238)	(20,061)	(1,201)	(81,971)	(25,183)	33,565	(73,589)
<b>Profit (loss) before taxes on income</b>	<b>19,070</b>	<b>(48,478)</b>	<b>332,999</b>	<b>(5,847)</b>	<b>297,743</b>	<b>(76,048)</b>	<b>31,504</b>	<b>253,199</b>
Taxes on income	-	-	-	-	-	(64,583)	-	(64,583)
Tax income from the Tax Partner	-	69,452	-	-	69,452	-	-	69,452
<b>Net profit (loss)</b>	<b>19,070</b>	<b>20,974</b>	<b>332,999</b>	<b>(5,847)</b>	<b>367,195</b>	<b>(140,631)</b>	<b>31,504</b>	<b>258,068</b>
Assets of reportable segments and other operations – connected	905,773	2,740,001	1,486,464	-	5,132,238	-	84,497	5,216,735
Assets of reportable segments and other operations – under construction	730,704	983,122	25,239	517,604	2,256,669	63,948	50,282	2,370,899
Other amounts	292,742	982,588	275,978	19,361	1,570,669	141,397	511,178	2,223,244
<b>Total consolidated assets</b>	<b>1,929,219</b>	<b>4,705,711</b>	<b>1,787,681</b>	<b>536,965</b>	<b>8,959,576</b>	<b>205,345</b>	<b>645,957</b>	<b>9,810,878</b>
Liabilities of reportable segments and other operations	2,010,106	2,804,226	1,206,210	32,723	6,053,265	830,192	556,268	7,439,725
<b>Total consolidated liabilities</b>	<b>2,010,106</b>	<b>2,804,226</b>	<b>1,206,210</b>	<b>32,723</b>	<b>6,053,265</b>	<b>830,192</b>	<b>556,268</b>	<b>7,439,725</b>

(\*) Projects under construction.

(\*\*) Maintenance, development, general and administrative expenses in Poland include expenses with respect to provision for impairment of green certificates, amounting to NIS 12 million.

**Energix – Renewable Energies Ltd.**  
**Notes to the Consolidated Financial Statements**

**Note 29 - Information Regarding Operating Segments (Cont.)**

Year ended December 31, 2022

	Photo-voltaic		Wind		Total reportable segments	Unallocated revenues (expenses)	Adjustments	Total consolidated
	Israel	USA	Poland	Israel (*)				
NIS in thousands								
(Audited)								
Revenues from the sale of electricity	129,594	35,136	281,596	-	446,326	-	-	446,326
Revenues from the production of green certificates	505	6,367	49,212	-	56,084	-	-	56,084
Other revenues, net	1,888	-	23,027	-	24,915	-	-	24,915
Maintenance expenses	(32,355)	(9,796)	(28,661)	-	(70,812)	-	-	(70,812)
Initiation expenses	(273)	(1,019)	(161)	-	(1,453)	-	-	(1,453)
Payroll and related expenses, administrative, headquarters and other expenses	(685)	(16,012)	(5,597)	(146)	(22,440)	(45,318)	18,617	(49,141)
<b>Profit (loss) before financing, taxes, depreciation and amortization</b>	<b>98,674</b>	<b>14,676</b>	<b>319,416</b>	<b>(146)</b>	<b>432,620</b>	<b>(45,318)</b>	<b>18,617</b>	<b>405,919</b>
Capital gains from sale of consolidated partnership	18,098	-	-	-	18,098	-	-	18,098
Depreciation and amortization	(39,981)	(21,933)	(26,645)	(72)	(88,631)	(2,546)	(14,620)	(105,797)
Financing expenses, net	(68,450)	(15,554)	(21,330)	-	(105,334)	(12,395)	35,370	(82,359)
<b>Profit (loss) before taxes on income</b>	<b>8,341</b>	<b>(22,810)</b>	<b>271,441</b>	<b>(218)</b>	<b>256,754</b>	<b>(60,259)</b>	<b>39,366</b>	<b>235,861</b>
Taxes on income	-	-	-	-	-	(57,766)	-	(57,766)
Tax income from the Tax Partner	-	57,815	-	-	57,815	-	-	57,815
<b>Net profit (loss)</b>	<b>8,341</b>	<b>35,005</b>	<b>271,441</b>	<b>(218)</b>	<b>314,569</b>	<b>(118,025)</b>	<b>39,366</b>	<b>235,910</b>
Assets of reportable segments and other operations – connected	944,618	906,082	1,059,428	-	2,910,128	-	-	2,910,128
Assets of reportable segments and other operations – under construction	362,525	705,482	256,051	355,853	1,679,911	107,632	25,582	1,813,125
Other amounts	113,016	29,621	794,826	23,114	960,577	7,410	390,991	1,358,978
<b>Total consolidated assets</b>	<b>1,420,159</b>	<b>1,641,185</b>	<b>2,110,305</b>	<b>378,967</b>	<b>5,550,616</b>	<b>115,042</b>	<b>416,573</b>	<b>6,082,231</b>
Liabilities of reportable segments and other operations	202,174	718,977	802,899	8,064	1,732,114	2,135,287	(115,458)	3,751,943
<b>Total consolidated liabilities</b>	<b>202,174</b>	<b>718,977</b>	<b>802,899</b>	<b>8,064</b>	<b>1,732,114</b>	<b>2,135,287</b>	<b>(115,458)</b>	<b>3,751,943</b>

(\*) Projects in construction and advanced development.

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**Note 29 - Information Regarding Operating Segments (Cont.)**

	Year ended December 31, 2021							
	Photo-voltaic		Wind		Total reportable segments	Unallocated revenues (expenses)	Adjustments	Total consolidated
	Israel	USA	Poland	Israel (*)				
	NIS in thousands							
(Audited)								
Revenues from the sale of electricity	114,144	22,322	67,246	-	203,712	-	(2,924)	200,788
Revenues from the production of green certificates	356	3,765	55,928	-	60,049	-	-	60,049
Other revenues, net	205	-	5,584	-	5,789	-	-	5,789
Maintenance expenses	(24,001)	(4,853)	(21,028)	-	(49,882)	-	-	(49,882)
Initiation expenses	(3)	(180)	(143)	(25)	(351)	(31)	-	(382)
Payroll and related expenses, administrative, headquarters and other expenses	(738)	(6,539)	(3,250)	(85)	(10,612)	(32,125)	13,113	(29,624)
<b>Profit (loss) before financing, taxes, depreciation and amortization</b>	<b>89,963</b>	<b>14,515</b>	<b>104,337</b>	<b>(110)</b>	<b>208,705</b>	<b>(32,156)</b>	<b>10,189</b>	<b>186,738</b>
Capital gains from sale of consolidated partnership	12,363	-	-	-	12,363	-	-	12,363
Depreciation and amortization	(35,298)	(13,204)	(21,956)	(72)	(70,530)	(1,293)	(9,426)	(81,249)
Financing expenses, net	(39,002)	(5,400)	(7,453)	-	(51,855)	(10,743)	14,993	(47,605)
<b>Profit (loss) before taxes on income</b>	<b>28,026</b>	<b>(4,089)</b>	<b>74,928</b>	<b>(182)</b>	<b>98,683</b>	<b>(44,192)</b>	<b>15,757</b>	<b>70,247</b>
Taxes on income	-	-	-	-	-	(23,188)	-	(23,188)
Tax income from the Tax Partner	-	30,825	-	-	30,825	-	-	30,825
<b>Net profit (loss)</b>	<b>28,026</b>	<b>26,736</b>	<b>74,928</b>	<b>(182)</b>	<b>129,508</b>	<b>(66,060)</b>	<b>15,757</b>	<b>79,204</b>
Assets of reportable segments and other operations – connected	1,073,699	1,165,451	998,808	146,981	3,384,939	-	325,122	3,710,061
Assets of reportable segments and other operations – under construction	-	-	-	-	-	-	-	-
Other amounts	446,908	188,607	318,497	19,977	973,989	99,005	-	1,072,994
<b>Total consolidated assets</b>	<b>1,520,607</b>	<b>1,354,058</b>	<b>1,317,305</b>	<b>166,958</b>	<b>4,358,928</b>	<b>99,005</b>	<b>325,122</b>	<b>4,783,055</b>
Liabilities of reportable segments and other operations	873,660	386,407	718,116	92,743	2,070,926	902,672	296,208	3,269,806
<b>Total consolidated liabilities</b>	<b>873,660</b>	<b>386,407</b>	<b>718,116</b>	<b>92,743</b>	<b>2,070,926</b>	<b>902,672</b>	<b>296,208</b>	<b>3,269,806</b>

(\*) Projects in construction and advanced development.

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**Note 30 - Contingencies, Guarantees and Liens**

**a. Contingencies**

During the Reported Period, and as of the Report Date, there are no claims in material amounts pending against the Company.

**b. Liens and guarantees**

**(1) Bank Guarantees**

As of the Report Date, the Company has bank guarantees in connection with its connected projects in the amount of NIS 7.1 million, and bank guarantees in connection with projects under construction, for the construction period only, and in connection with tenders for which it has applied, in the amount of NIS 125 million. As of the Approval Date of the Report, the Company has guarantees of this kind in the amount of NIS 126 million.

As of the Report Date, the Company has credit facilities from financial institutions in the amount of NIS 511 million, including facilities in the amount of USD 50 million (NIS 181 million) from a banking corporation in the United States, which are used for the provision of guarantees. Of which, NIS 491 million have been utilized, of which USD 46 million (NIS 167 million) from a bank in the USA.

For information regarding restricted deposits, see Note 5.

**(2) Company guarantees to investee corporations**

The Company provides, from time to time, as part of its operating activities, company guarantees for corporations under its control, in favor of various third parties, including within the framework of the Group's financing transactions, the engagement with the Tax Partner in the USA, and engagements with suppliers, land owners and various service providers.

**c. Provision for RET (real estate tax) in Poland**

Since 2018, the Company has recognized a provision in respect of the exposure to additional payment of real estate tax for the wind farms in Poland. Following the ruling by the Polish High Court of Administrative Affairs in October 2018, which was given in respect of a specific case for a wind farm in Poland which is not owned by the Company, regarding the interpretation of the provisions of the law in respect of the basis for calculating the real estate tax (municipal tax) which can be imposed on wind farms.

In 2022, the Company received a resolution by one of the local authorities, in whose area one of the Company's wind farms is located. In accordance with the aforementioned decision, the possible exposure to the payment of RET is less than the provision which the Company made in the past in respect of that exposure. Consequently, in 2022 the Company reduced the RET provision by NIS 3 million.

In 2022, a demand for payment was received from one of the local authorities for the payment of prior year real estate taxes, in the amount of PLN 11 million. The Company transferred the real estate tax payment in accordance with the aforementioned demand, in accordance with the timetable prescribed in law, and in parallel, filed an appeal against the demand.

In 2023, the Company continued litigation with the local authority with regard to RET payments. The Company did not recognize any further provisions with respect to these proceedings, because the Company believes it has made sufficient provisions, and these proceedings should not have material negative impact (if any) on its financial results.

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**Notes to the Consolidated Financial Statements**

**Note 31 - Financial Instruments**

**a. Overview**

This Note presents quantitative and qualitative information about the Group's exposure to each of the following risks.

The financial instruments of the Group consist primarily of cash and cash equivalents, restricted deposits and restricted cash, trade receivables, derivatives, other receivables and payables and credit balances, trade payables, short term credit, loans, bonds, convertible bonds, lease liabilities and other long-term liabilities. The Group believes that the carrying amount of the aforesaid financial assets and liabilities, as presented in the Financial Statements, is close or identical to their fair value, with the exception of long-term loans bearing fixed interest and the liability component of the convertible bonds (Series B). For more information, see Note 31b(3)(d).

**b. Financial risks and the management thereof**

As part of its activities, the Group is exposed to risks pertaining to various financial instruments, such as:

- Credit risk;
- Liquidity risk;
- Market risk (including foreign currency risk, exposure to changes in market prices of electricity and green certificates, index risk and interest rate risk – fair value risk in respect of interest and cash flow risk in respect of interest);

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The Group's risk management plan focuses on activities to reduce possible negative effects of the Company's exposures to financial risks on the Group's equity, operating results and cash flows. The Company's CEO and CFO are responsible for risk management, and risk management activities are performed as part of the Group's routine activities. As part of the overall risk management of the Group, the Company's Board of Directors has determined that the CEO of the Company will regularly report to the Chairman of the Board of Directors on the existing level of exposure. In the event of extraordinary developments in the currency and interest markets, they review the data, from time to time, the modes of operation in the derivatives market are reviewed in order to hedge interest rate and currency risks.

Presented below are risks pertaining to the financial instruments and the management thereof:

**(1) Credit risks**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables as well as from loans granted to third parties.

The overall theoretical exposure to credit risk as of December 31, 2023 amounts to NIS 812,807 thousand (2022: NIS 847,566 thousand).

In the opinion of management of the Company, as of the date of the report the credit risk of the Group is low, for the following reasons:

- The Company is active in countries with high credit ratings (Israel – AA-; Poland – A-; USA – AA+).
- The vast majority of the Company's revenues in Israel are received from the critical service provider, the Electric Corporation. In accordance with the Electric Corporation's characteristics, including the credit ratings of the Company and of its bonds, and in accordance with the Company's past experience with this customer, the Company believes that the credit risk in respect of the Israel Electric Corporation is negligible.
- Most of the Company's revenues from the sale of electricity and green certificates in Poland are received from sales to an international broker. In accordance with the Company's past experience, payments from the broker are paid to the Company on a routine basis. The Company can also opt between selling the electricity to the local electric corporation under the existing regulation or, alternatively, to several other brokers/traders on the market or, alternatively, directly on the Exchange. In general, the Company aims to engage with financially stable companies, with low credit risk.

**Energix – Renewable Energies Ltd.****Notes to the Consolidated Financial Statements**

- Electricity and renewable energy certificates are sold in the USA to financial stable local electric companies with high credit ratings. The Company also receives additional revenue in exchange for capacity commitment in respect of the electricity generation systems from the electric corporation, as stated above. The Company believes that the credit risk in respect of the electric corporation in the USA is negligible. The Company also has the option to sell electricity and green certificates to electric companies and other local entities in the market (and has also engaged in agreements with additional entities in connection with projects for the production of electricity which, as of the Report Date, are in construction stages).
- Cash and cash equivalents, deposits, money market funds and hedging financial instruments (derivatives) are held in banks and in financial institutions, which, according to the Company's assessment, have significant financial stability.

**(2) Liquidity risks**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to the management of its liquidity risk is to ensure, to the extent possible, a liquidity level that is sufficient for duly meeting its obligations, under ordinary and stressful conditions, without incurring unwanted losses or damage to its reputation.

The surplus cash held by the companies in the Group that are not required for the financing of operating activities are invested in interest-bearing investment channels, such as short term deposits. These investment channels are selected by Company management based on future projections of the cash flow that would be required for the companies in the Group to meet their obligations. The cash flow projection is determined both on the basis of the various entities in the Group and on a consolidated basis. The Company examines current projections of its liquidity requirements in order to verify that sufficient cash is available for operating needs, while ensuring the availability of sufficient unutilized credit facilities at all times, so that the Company remains within the bounds of its allocated credit facilities and the related binding covenants. These projections take into account factors such as the Company's plan to use the cash flow which is expected to arise for the Company from in commercial operation projects, the debt which is projected to be taken out to finance the operation (with an emphasis on project finance for the construction of projects), compliance with binding covenants, achievement of certain target liquidity ratios, and fulfillment of external requirements, such as laws or regulations.

The responsibility for the management of the liquidity risks lies with management of the Company, which conducts a program for the management of financing and liquidity risks in the short, medium and long-terms, depending on the needs of the Company. The Company manages liquidity risk by maintaining adequate surpluses of cash and credit facilities, by preparing up-to-date financial forecasts, and by comparing the future yields on the financial assets and the financial liabilities. The Group aims to maintain the existing ratio between the obtaining of ongoing financing and the flexibility that is afforded by the use of credit. The Company also maintains significant access to the capital market, and to public and private debt.

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### Notes to the Consolidated Financial Statements

The ultimate responsibility for the management of a liquidity risk lies with the Board of Directors, within the framework of the management of the liquidity risk in relation to management's financing and liquidity requirements in the short, medium and long-term.

#### **Analysis of the projected maturities of financial liabilities**

The following table presents the flow of financial liabilities (principal and projected interest) in undiscounted amounts that do not constitute derivative financial instruments, based on the contractual maturities:

		<b>As of December 31, 2023</b>						
	<b>Interest rate</b>	<b>Carrying amount</b>	<b>Projected cash flows</b>	<b>Up to one year</b>	<b>Second year</b>	<b>Third year</b>	<b>Fourth year</b>	<b>Fifth year and thereafter</b>
	<b>%</b>	<b>NIS in thousands</b>						
Trade payables, other payables and credit balances	-	541,587	541,587	541,587	-	-	-	-
Hedging financial instruments	-	245,901	245,901	100,877	47,759	23,364	18,043	55,858
Short-term borrowing from financial institutions	Prime + 0.5%-0.8%	854,259	854,259	854,259	-	-	-	-
Long-term liabilities	5.2%	89,468	91,353	62	29,578	59,265	79	2,369
Lease liability according to IFRS 16	6.28%-3.28% Linked	521,147	764,195	29,012	28,404	28,045	27,439	651,296
Bonds (Series A)	2.05%	524,858	564,388	85,231	83,696	82,162	80,627	232,672
Convertible bonds (Series B)	0.25%	536,280	572,270	1,417	1,417	1,417	568,021	-
Long-term loans from financial institutions in Israel (*)	1.95%-4.6%, linked	1,200,416	1,147,520	68,428	72,531	69,903	71,096	865,562
Liability in respect of agreement with the Tax Partner (**)	7.18% – 7.5%	36,665	36,665	10,442	10,412	6,720	9,091	-
Long-term loans from financial institutions in Poland (*)	WIBOR 6M +1.7%-2.4%	1,115,778	1,835,673	681,505	19,329	22,236	33,349	1,079,254
Long-term loans from financial institutions in the USA	SOFR 6M + 1.65%-2.25%	688,661	722,047	30,846	23,185	25,721	28,881	613,413
		<b>6,355,021</b>	<b>7,375,858</b>	<b>2,403,665</b>	<b>316,312</b>	<b>318,833</b>	<b>836,625</b>	<b>3,500,425</b>

(\*) For more information regarding the carrying amount of the financial assets which are used as collateral for the aforementioned liabilities, see Note 14.

**Energix – Renewable Energies Ltd.****Notes to the Consolidated Financial Statements**

- (\*\*) The aforementioned amount constitutes the financial liability component out of the total liability in respect of the agreement with the Tax Partner. For more information, see Note 3p(5).

The entire theoretical exposure to liquidity risk amounts to NIS 7,376 million. Company management estimates that the liquidity risk is low, since the cash flows which are expected to arise for the Company from 2023 onwards, together with the cash balances, the unused credit facilities which are available to the Company as of the Report Date (for details, see Notes 14a and 14b), and the Company's significant access to the capital market and to public debt, ensure that the Company has a strong ability to service its financial liabilities.

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(3) **Market risks**

Market risk is the risk that changes in market prices to which the Group is exposed, such as foreign exchange rates, interest rates and the CPI, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

**Presented below are the types of market risks:**

**(a) Foreign currency and linkage risks**

**Foreign currency** – The Group is exposed to foreign currency risks as a result of changes in the exchange rates of foreign currencies, primarily the Zloty and the Dollar. The foreign currency risk results from the performance of transactions that are denominated in a foreign currency as well as the existence of financial assets and financial liabilities that are denominated in a foreign currency other than the functional and reporting currency of the Company (NIS).

The Group customarily reduces its exposure to foreign currency as follows:

1. The Company is exposed to changes in the value of its investment and in its results in respect of its activities in Poland and in the USA, due to changes in the exchange rate of the PLN and the USD (respectively) vs. the NIS. Such changes in exchange rates directly affect the Company's equity, and its results. Accordingly, the Company considers and enters into various transactions, as necessary, in order to reduce the currency exchange risk. Accordingly, the Company adopted a hedging policy according to which the Company will work to hedge its net investment in the projects, such that the unhedged part of the aforementioned capital will not exceed 20% of its equity, in respect of a single currency. The hedges are executed through the purchase of various hedging instruments, such as forward transactions.  
As of the Report Date, the Company has hedging transactions in the amount of PLN 981 million, and a cross-currency swap in the amount of PLN 215 million. For more information regarding swap hedge transactions, see Note 14c(8).  
Additionally, as of the Report Date, the Company had hedging transactions in the amount of USD 357 million, as well as a cross currency swap in the amount of USD 212 million, to hedge the Company's exposure to changes in the value of its investment in the United States, due to exchange rate changes. See Note 14 below.
2. Engagements with foreign suppliers in foreign currency for the purchase of systems and equipment for the construction of projects create exposure for the Group to changes in the exchange rates of currencies in which it intends to purchase the equipment. Such exposure is limited to the timespan from the date of purchase of the equipment to the date of payment of the full consideration in its respect. As necessary and in order to fix the purchase cost of systems and equipment that are purchased overseas, the Company may engage in forward or swap transaction to hedge the foreign currency risk.

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The Company's CEO and CFO monitor the net position of activities in foreign currency, and engage in transactions to hedge the exposure as needed.

**The table below lists forward foreign currency swap contracts as of December 31, 2023:**

<u>Settlement date</u>	<u>Transaction type</u>	<u>Sale</u>	<u>Foreign currency</u>	<u>Purchase</u>	<u>Foreign currency</u>	<u>Average exchange rate</u>	<u>Fair value</u>	<u>Settlement type</u>
		<u>Thousands</u>		<u>Thousands</u>			<u>NIS in thousands</u>	
<b>Derivatives designated as hedging components:</b>								
Short term	Forward	697,500	PLN	563,416	NIS	0.59	(55,683)	Gross
Long-term	Forward	50,000	PLN	38,040	NIS	0.76	(6,345)	Gross
Short term	Forward	298,800	USD	1,057,206	NIS	3.54	(16,593)	Gross
Short term and long-term	CCS	233,333	PLN	211,470	NIS	0.91	(3,795)	Net
Short term and long-term	CCS	58,333	USD	180,979	NIS	3.10	(28,805)	Net

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Presented below is the Group's sensitivity analysis to foreign currency – The effect of a 5% change in the exchange rate on profit or loss in respect of financial assets and liabilities that are exposed to said risk (before the tax effect) is as follows:

	<b>As of December 31, 2023</b>		
	<b>Increase by 10%</b>	<b>Carrying value</b>	<b>Decrease by 10%</b>
	<b>Profit and loss / comprehensive income</b>		<b>Profit and loss / comprehensive income</b>
<b>NIS in thousands</b>			
<b>Foreign currency sensitivity – 10% change</b>			
<b>In EUR:</b>			
Cash and cash equivalents	436	4,357	(436)
Trade payables, other payables and credit balances	(775)	(7,750)	775
<b>In PLN:</b>			
Cash and cash equivalents	9,092	90,915	(9,092)
Trade receivables, other receivables and debit balances	7,092	70,916	(7,092)
Long-term pledged deposit and restricted cash	12	122	(12)
Hedging financial instruments – forward transaction	(67,363)	(62,028)	67,363
Cap option	6,363	63,145	(6,363)
Hedging financial instruments – CCS	(20,065)	(3,795)	20,303
Lease liability	(14,140)	(141,402)	14,140
Trade payables, other payables and credit balances	(6,615)	(66,148)	6,615
<b>In USD:</b>			
Cash and cash equivalents	39,490	394,904	(39,490)
Trade receivables	389	3,885	(389)
Pledged deposit	363	3,627	(363)
Trade payables, other payables and credit balances	(42,438)	(424,383)	42,438
Liability in respect of agreement with Tax Partner	(3,667)	(36,665)	3,667
Lease liability	(18,705)	(187,055)	18,705
Hedging financial instruments – forward transactions	(105,672)	(16,594)	105,672
Hedging of electricity prices in the USA (SWAP)	(11,628)	(116,283)	11,628
Hedging financial instruments – CCS	(20,136)	(28,805)	20,137

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	<b>As of December 31, 2022</b>		
	<b>Profit and loss / comprehensive income</b>	<b>Carrying value</b>	<b>Profit and loss / comprehensive income</b>
<b>In EUR:</b>			
Cash and cash equivalents	183	1,826	(183)
Trade payables, other payables and credit balances	(763)	(7,629)	763
<b>In PLN:</b>			
Cash and cash equivalents	21,981	219,805	(21,981)
Trade receivables, other receivables and debit balances	7,947	79,475	(7,947)
Long-term pledged deposit and restricted cash	11	106	(11)
Lease liability	(12,465)	(124,652)	12,465
Trade payables, other payables and credit balances	(4,670)	(46,699)	4,670
Hedging financial instruments – forward transaction	(62,909)	(51,730)	62,909
Cap option	9,062	90,748	(9,062)
Hedging financial instruments – CCS	(18,683)	39,798	18,683
<b>In USD:</b>			
Cash and cash equivalents	4,309	43,086	(4,309)
Trade receivables	552	5,519	(552)
Pledged deposit	3,760	37,602	(3,760)
In USD (other accounts receivable)	2,314	23,135	(2,314)
Hedging financial instruments – forward transaction	(99,357)	(51,791)	99,357
Trade payables, other payables and credit balances	(6,215)	(62,146)	6,215
Liability in respect of agreement with Tax Partner	(5,019)	(50,193)	5,019
Hedging financial instruments – CCS	(21,825)	(24,477)	21,881
Lease liability	(9,785)	(97,848)	9,785
Hedging of electricity prices in the USA (SWAP)	(19,655)	(196,549)	19,655

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**(b) Exposure to changes in the market prices of electricity and green certificates -**

The Company's activity in Israel is based on fixed tariff tenders. In Poland and in the USA, the Company is exposed to changes in the market prices of electricity and green certificates, in respect of the produced capacity which is not subject to a fixed tariff by tender (in new projects in Poland which commenced commercial operation in 2022), or agreements for the sale of electricity and/or certificates at predetermined prices (in some of the Company's projects in the USA). The Company mitigates this exposure by executing price hedging transactions for various periods.

This exposure may affect the Company's revenues and cash flows, and accordingly also its fulfillment of various covenants and coverage ratios which it undertook as part of the financing agreements.

As part of the process of managing of the aforementioned exposure, the Company uses various means:

- Establishing fixed prices for the electricity and green certificates which it sells, by engaging in sale transactions on future dates and at fixed prices, in respect of part of the capacity of electricity and green certificates which is expected to be produced by the Company. The outputs are sold to an entity that purchases them for a fixed price.
- Hedging of electricity prices through swap transactions in which the Company engaged which are signed vis-à-vis third parties (who do not directly purchase the electricity or the certificates), to replace the market price with a predetermined price.

For more information about contracting transactions to hedge changes in electricity prices in the USA, see Note 10b(2)(b). The aforementioned transactions are accounted for as an accounting cash flow hedge. As of the Report Date, the Company assessed, through an independent valuer, the fair value of the transaction in the balance of the liability in the amount of NIS 116.3 million. For details regarding the accounting treatment of a cash flow hedge, see Note 3c(4)(a).

**Presented below is an analysis of the Group's sensitivity to financial derivatives:**

The following table presents the impact of the addition or subtraction of 5% in the relevant electricity prices in the USA on comprehensive income in respect of derivative financial instruments which are exposed to electricity price risk in the USA (before tax effect):

<b>As of December 31, 2023</b>		
<b>Changes to electricity prices in the USA</b>		
<b>Increase by 10%</b>	<b>Carrying value</b>	<b>Decrease by 10%</b>
<b>Comprehensive income</b>	<b>Comprehensive income</b>	<b>Comprehensive income</b>
<b>NIS in thousands</b>		
Financial derivatives – Hedging of electricity prices in the USA (SWAP)	(43,586)	(116,283)
	43,777	43,777

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	<b>As of December 31</b>
	<b>2023</b>
	<b>NIS in thousands</b>
	<b>(Audited)</b>
<b><u>Instruments measured at level 3 – financial derivatives (swap contract) to hedge electricity prices in the USA</u></b>	
<b>As of December 31, 2022</b>	(196,548)
Capital reserve from translation differences	(6,396)
Amounts carried to the statement of income during the period	834
Amounts carried to other comprehensive income during the period	85,828
<b>As of December 30, 2023</b>	<b>(116,283)</b>

**(c) Consumer Price Index -**

CPI-linked loans (project finance loans in Israel) expose the Group to a cash flow risk in respect of changes in the CPI rate that are not accompanied by a corresponding change in the fair value of the financial instruments. It is noted that the Company's revenues in Israel are linked to the consumer price index, in a manner whereby they are updated once per year during the period of the regulation, meaning that increases in the CPI result, by definition, in increases in future revenues from electricity generation. In light of the above, in economic terms, the Company's exposure to the consumer price index is negligible. However, in accounting terms, the Company's results in the statement of income are exposed to changes in the CPI, due to the fact that increases in the CPI lead to the recording of finance expenses (and vice versa) in respect of the entire amount of the unpaid linked loans, while the Financial Statements do not reflect the effects of the change in the CPI on future revenues (which are not reflected in the Financial Statements).

Presented below is the Group's sensitivity analysis to the CPI – The effect of a 3% change in the CPI on financial liabilities which are exposed to said risk (before the tax effect) is as follows:

	<b>As of December 31, 2023</b>	
	<b>Increase of 3%</b>	<b>Decrease of 3%</b>
	<b>Profit and loss</b>	<b>Profit and loss</b>
	<b>/</b>	<b>/</b>
	<b>comprehensive income</b>	<b>comprehensive income</b>
	<b>Carrying value</b>	
<b><u>Index sensitivity – 3% change</u></b>	<b>NIS in thousands</b>	
<b>In the CPI (loans from financial institutions)</b>	<b>(33,121)</b>	<b>1,147,520</b>
	<b>(33,121)</b>	<b>28,967</b>

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**Notes to the Consolidated Financial Statements**

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As of December 31, 2022		
	Increase by 3%	Decrease by 3%
	Profit and loss /	Profit and loss /
	comprehensive income	Carrying value
	NIS in thousands	
<b>Index sensitivity – 3% change</b>		
In the CPI (loans from financial institutions)	(27,512)	982,233
	(27,512)	27,512

(\*) The impact of the decrease of the CPI on some of the aforementioned loans is restricted to the amount of the base index.

**(d) Interest rate risk**

**Fair value risk** – the Group has investments in financial instruments, financial liabilities classified as long-term loans, and bonds and convertible bonds, all of which bear fixed interest. The Group is not exposed to risk in respect of changes in the fair value of these financial instruments, which will affect the Group's profit and loss or equity, due to the fact that these financial instruments are measured at amortized cost.

As of December 31, 2023, the Group has loans in the amount of NIS 3,897,651 thousand and bonds in the amount of NIS 1,058,345 thousand, at fixed interest. The fair value of the loans as of the Report Date (which is measured at level 2) is NIS 2,898,056 thousand; the fair value of the bonds (Series A) (level 1) as of the Report Date is NIS 482,135 thousand; and the fair value of the liability component of the convertible bonds (Series B) (level 2) as of the Report Date is NIS 483,581 thousand.

**Cash flow risk** – Financial liabilities bearing variable interest rates expose the Group to cash flow risk due to changes in interest rates.

Most of the Company's loans and bonds bear fixed interest, are CPI-linked or hedged by various hedging instruments.

The Company's project loans in Poland which, as of the Report Date, amount to a NIS 217,376 thousand, bear variable interest based on the WIBOR 6M interest rate. To mitigate the cash flow risk attributed to changes in the WIBOR 6M interest rate, the Company executed cap option hedge transactions on the interest rate (for additional details, see Note 14).

The Company's project loans in the USA bear variable interest based on the SOFR 6m rate. In order to mitigate cash flow risk due to change in the SOFR 6m rate, the Company contracted an Interest Rate Swap (IRS) hedging transaction for the interest rate. For more information see Note 14.

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**Notes to the Consolidated Financial Statements**

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**(4) Financial instruments presented in the Financial Statements at fair value**

For the purpose of measuring the fair value of financial instruments, the Group classifies its financial instruments, which are measured in the statement of financial position at fair value. Forward contracts designated to hedge foreign currency, with fair value as of the Report Date amounting to net asset balance of NIS (111,221) thousand, are measured at Level 2, and the fair value of CCS transactions amounts to net liability balance of NIS 32,600 thousand.

The Company has derivatives to hedge electricity prices in the USA, which is measured at fair value level 3. As of the Report Date, the fair value amounted to liability of NIS 116,283 thousand.

The Company also has an Interest Rate Cap, to hedge against impact of interest rate changes on project loans bearing variable interest in Poland, as well as hedging by swapping variable interest (SOFR6m) by fixed interest, to hedge against impact of interest rate changes on project loans in the USA.

**(5) Financial instruments not presented at fair value on the financial statements**

Presented below are data regarding the fair value of financial liabilities whose carrying value is not a reasonable approximation of fair value:

	December 31, 2023		December 31, 2022	
	Fair value	Carrying value including interest (*)	Fair value	Carrying value including interest (*)
<b>Financial liabilities (excluding CCS)</b>	<b>NIS in thousands</b>			
	(Audited)	(Audited)	(Audited)	(Audited)
Marketable bonds (Series A)	(**) 482,135	524,846	(**) 539,569	599,393
Convertible bonds (Series B) – liability component	(***) 483,581	533,499	(***) 454,570	523,979
Loans from financial institutions	(***) 2,898,056	3,043,665	(***) 1,236,594	1,356,748
Total	3,863,772	4,102,009	2,230,733	2,480,120

(\*) After deducting the deductible balance

(\*\*) Fair value at level 1

(\*\*\*) Fair value at level 2

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**c. Changes in liabilities due to financing activities**

The table presented below specifies the changes in the Group's liabilities due to financing activities, including both changes due to cash flows, and non-cash changes. Liabilities due to financing activities are liabilities for which cash flows have been classified, or future cash flows will be classified, in the statement of cash flows as cash flows from financing activities.

	<b>Balance as of January 1, 2023</b>	<b>Cash flows from financing activities (*)</b>	<b>Translation differences</b>	<b>Linkage differences</b>	<b>Other changes</b>	<b>Balance as of December 31, 2023</b>
<b>NIS in thousands</b>						
Short-term borrowing from banks and others	-	(853,747)	-	-	(512)	(854,259)
Loans from financial institutions	(1,355,980)	(1,578,715)	(38,109)	(21,145)	(49,715)	(3,043,664)
Lease liability	(388,546)	16,178	(19,472)	(2,774)	(120,356)	(514,971)
Bonds (Series A)	(599,351)	74,493	-	-	-	(524,858)
Convertible bonds (Series B)	(527,535)	-	-	-	(8,745)	(536,280)
Liability in respect of agreement with the Tax Partner	(243,459)	(651,248)	2,326	-	71,973	(820,407)
	<u>(3,114,871)</u>	<u>(2,993,039)</u>	<u>(55,255)</u>	<u>(23,919)</u>	<u>(107,355)</u>	<u>(6,294,439)</u>
<b>NIS in thousands</b>						
	<b>Balance as of January 1, 2022</b>	<b>Cash flows from financing activities (*)</b>	<b>Translation differences</b>	<b>Linkage differences</b>	<b>Other changes</b>	<b>Balance as of December 31, 2022</b>
<b>NIS in thousands</b>						
Loans from financial institutions	(1,113,992)	(183,093)	(10,283)	(48,612)	-	(1,355,980)
Lease liability	(281,208)	12,270	(18,408)	(8,749)	(92,451)	(388,546)
Bonds (Series A)	(673,839)	74,488	-	-	-	(599,351)
Convertible bonds (Series B)	(518,939)	-	-	-	(8,596)	(527,535)
Liability in respect of agreement with the Tax Partner	(271,246)	8,994	(32,716)	-	51,509	(243,459)
	<u>(2,859,224)</u>	<u>(87,341)</u>	<u>(61,407)</u>	<u>(57,361)</u>	<u>(49,538)</u>	<u>(3,114,871)</u>

(\*) Cash flows from financing activities are presented according to the net cash flows.

(\*\*) Repayment of project loan in connection with the Meitarim project, which was sold during the year.

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**Note 32 - Additional Information Regarding Events Subsequent to the Report Date**

- a. For more information regarding the adoption of a dividend policy and regarding the resolution to distribute dividends after the Report Date, see Note 16e above.

**e. Options granted to employees, to the Company's CEO and to corporate officers**

On March 12, 2014, the Company's Board of Directors approved, a new options framework plan for employees and corporate officers of the Company, in accordance with the principles of the Company's compensation policy, at a scope of 42 million options, as expanded. For more information regarding outstanding options from these plans, see Note 26.

The options are not listed for trading and are exercisable into ordinary shares of NIS 0.01 par value each of the Company (subject to adjustments for employees in Israel and in Poland), and in respect of offerees who are employees in Israel, and are granted pursuant to section 102 of the Income Tax Ordinance, through a capital gains track with a trustee by virtue of Section 102(b)(2) of the Income Tax Ordinance ("**2014 Plan**").

On February 18, 2024, the Company Board of Directors approved a new framework option plan for officers, employees, Board members, advisors and service providers. The options are not listed for trading and are exercisable into ordinary shares of NIS 0.01 par value each of the Company (subject to adjustments pursuant to provisions of the 2024 plan), and in respect of offerees who are employees in Israel, and are granted pursuant to section 102 of the Income Tax Ordinance, through a capital gains track with a trustee by virtue of Section 102(b)(2) of the Income Tax Ordinance (the "**2024 Plan**"). The plan is subject to approval by the Tax Authority.

On March 5, 2024, the Company Board of Directors allocated annual equity remuneration for 2024 and equity remuneration in lieu of cash bonus for 2024, pursuant to the 2024 Plan, subject to approval by the Tax Authority to apply Section 102 to the plan, for the Company CEO, Board members, officers, Company employees in Israel, Poland and the USA and service providers in Poland, as follows:

	<b>Equity remuneration to employees</b>	<b>Equity remuneration to officers (*)</b>	<b>Equity remuneration to Company CEO</b>
Number of options	2,058,192	519,454	213,847
Including fully accelerated options in lieu of cash bonus	133,971	200,160	213,847
Number of recipients	93	7	1
Share price (in NIS)	13.390	13.390	13.390
Exercise price (in NIS) (**)	14.461	14.461	14.461
Fair value of option	3.2974	3.2974	3.4791
Expected volatility	35.40%	35.40%	35.40%
Lifetime of the option (in years)	2.83	2.83	3.08
Exercise deadline	36 months after the actual grant date	36 months after the actual grant date	36 months after the actual grant date
Risk-free interest rate	3.85%	3.85%	3.87%
Expected dividend rate	-	-	-

**Energix – Renewable Energies Ltd.**  
**Notes to the Consolidated Financial Statements**

**Note 32 - Additional Information Regarding Events Subsequent to the Report Date (Cont.)**

(\*) Three female directors and one male director of the Company who are not among the controlling shareholders and who are not employees of the Company and/or officers of Alony Hetz, as well as the CFO, VP Legal Advisor and Company Secretary, and VP Business Development.

(\*\*) The exercise price of each option is determined according to the higher of: (A) the average of share prices on the stock exchange during the 30 trading days preceding the date of the Board of Directors' resolution to grant the options; or (B) 8% over the share price on the stock exchange at the end of the trading day preceding the date of the Board resolution to award the options.

The fair value is estimated using the Black and Scholes model. The total economic value of the options amounts to NIS 9,243 thousand. Out of said total, an amount of NIS 1,846 thousand will be carried immediately to profit or loss (due to their granting in lieu of a cash bonus) and the remaining NIS 7,397 thousand is expected to be amortized in a straight line over 24 months.

On March 5, 2024, the Company Board of Directors approved allocation of long-term remuneration to an officer, employees and service providers of the Company and subsidiaries, pursuant to the 2024 Plan, subject to approval of the plan by the Tax Authority and to approval by the General Meeting of Company shareholders of revision of the remuneration policy with respect to award to the officer. Award data are as follows:

<b>Number of options</b>	2,081,101
<b>Number of recipients</b>	6
<b>Share price (in NIS)</b>	13.39
<b>Exercise price (in NIS)</b>	23.43
<b>Share target price (in NIS)</b>	26.78
<b>Option fair value</b>	NIS 5.4 million

**Energix – Renewable Energies Ltd.**

**Separate Financial Information  
2023**

**Energix – Renewable Energies Ltd.**  
**Separate Statements of Financial Position**

**Attn.:**  
**Shareholders of Energix – Renewable Energies Ltd.**

**Dear Sir / Madam,**

**Re: Special Auditor's Report Regarding the Separate Financial Information, in Accordance with Regulation 9C of the Securities Regulations (Periodic and Immediate Reports) – 1970**

We have audited the separate financial information which is presented in accordance with Regulation 9C of the Securities Regulations (Periodic and Immediate Reports) - 1970, of **Energix - Renewable Energies Ltd.** (hereinafter: the "Company") as of December 31, 2023 and 2022, and for each of the three years the last of which ended December 31, 2023. The Company's Board of Directors and management are responsible for the separate financial information. Our responsibility is to express an opinion regarding the separate financial information, based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Israel. In accordance with these standards, we are required to plan and conduct our audit with the aim of obtaining a reasonable measure of assurance that the separate financial information includes no material misrepresentation. An audit includes examining, on a sample basis, evidence to support the amounts and the details separate financial information i the separate financial information. An audit also includes an evaluation of the accounting principles which were applied in the preparation of the separate financial information, and of the significant estimates which were made by the Company's Board of Directors and management, as well as an evaluation of the adequacy of presentation in the separate financial information. We believe that our audit, and the reports provided by the other auditors, provide a reasonable basis for our opinion.

In our opinion, based on our audit and on the reports of the other auditors, the separate financial information has been prepared, in all material respects, in accordance with the provisions of Regulation 9C of Securities Law Regulations (Periodic and Immediate Statements) - 1970.

**Brightman Almagor Zohar & Co.**  
**Certified Public Accountants**  
**A Firm in the Deloitte Global Network**

**Tel Aviv, March 5, 2024**

**תל אביב - משרד ראשי**

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**Energix – Renewable Energies Ltd.**  
**Separate Statements of Financial Position**

	<b>As of December 31</b>	
	<b>2023</b>	<b>2022</b>
	<b>NIS in thousands</b>	
	<b>(Audited)</b>	
<b>Assets</b>		
<b><u>Current assets</u></b>		
Cash and cash equivalents	95,675	95,456
Trade receivables and income receivable from customers	603	315
Receivables – investee companies	4,811	1,542
Receivables and debit balances	23,403	9,073
<b>Total current assets</b>	<b>124,492</b>	<b>106,386</b>
<b><u>Non-current assets</u></b>		
Connected electricity generation systems	1,992	2,210
Systems under construction and inventory	106,816	6,326
Right-of-use asset	6,793	8,338
Fixed assets	11,366	9,965
Investment in investee companies	3,245,725	3,494,033
Loan to an investee company	518,684	-
Other receivables	20,079	143,294
<b>Total non-current assets</b>	<b>3,911,455</b>	<b>3,664,166</b>
<b>Total assets</b>	<b>4,035,947</b>	<b>3,770,552</b>
<b>Liabilities and equity</b>		
<b><u>Current liabilities</u></b>		
Short term credit from financial institutions	192,411	-
Current maturities in respect of bonds	74,871	74,871
Current maturities of lease liabilities	1,406	1,406
Trade payables	3,393	4,226
Payables – investee companies	67,550	-
Payables and credit balances	115,786	125,876
<b>Total current liabilities</b>	<b>455,417</b>	<b>206,379</b>
<b><u>Non-current liabilities</u></b>		
Loans from investee companies	122,128	91,276
Other long-term liabilities	1,500	-
Liabilities in respect of financial instruments	28,821	27,208
Bonds	446,353	520,288
Convertible bonds	533,499	523,979
Lease liability	5,938	7,491
Liability for employee severance benefits, net	880	772
Payables – investee companies	-	2,140
Deferred tax liabilities, net	71,444	62,389
<b>Total non-current liabilities</b>	<b>1,210,563</b>	<b>1,235,543</b>
<b><u>Equity</u></b>		
Share capital	5,486	5,478
Capital reserves	2,108,076	2,088,487
Retained earnings	256,405	234,665
Total equity attributable to the owners of the Company	<b>2,369,967</b>	<b>2,328,630</b>
<b>Total liabilities and equity</b>	<b>4,035,947</b>	<b>3,770,552</b>

**March 5, 2024**

**Date of Signing of the  
Financial Statements**

**Nathan Hetz  
Chairman of the Board**

**Asa Levinger  
CEO**

**Tanya Friedman  
CFO**

**The accompanying supplementary information is an integral part of the separate financial information.**

**Energix – Renewable Energies Ltd.**  
**Separate Statements of Income and Comprehensive Income**

	For the year ended December 31		
	2023	2022	2021
	NIS in thousands (Audited)		
<b>Revenues</b>			
Revenues from the sale of electricity	973	951	928
Operating and other income, net	109,308	4,335	2,833
	<u>110,281</u>	<u>5,286</u>	<u>3,761</u>
<b>Expenses</b>			
Maintenance of systems	3,572	10,448	6,872
Initiation expenses	326	10	96
Payroll and related expenses	27,051	22,937	15,796
Administrative, headquarters and other	21,923	19,889	14,150
	<u>52,872</u>	<u>53,284</u>	<u>36,914</u>
<b>Profit (loss) before financing, taxes, depreciation and amortization</b>	57,409	(47,998)	(33,153)
Capital gains	-	18,098	12,363
Depreciation and amortization	(4,964)	(4,226)	(3,633)
<b>Profit (loss) before financing and taxes</b>	<u>52,445</u>	<u>(34,126)</u>	<u>(24,423)</u>
Financing income	272,603	111,641	58,512
Financing expenses	(61,095)	(28,758)	(22,536)
Financing income, net	<u>211,508</u>	<u>82,883</u>	<u>35,976</u>
<b>Profit after financing, net</b>	<u>263,953</u>	<u>48,757</u>	<u>11,553</u>
Company's share in the results of associates and joint ventures	56,973	196,733	81,868
<b>Profit before taxes on income</b>	<u>320,926</u>	<u>245,490</u>	<u>93,421</u>
Taxes on income	(62,669)	(8,800)	(14,102)
<b>Profit for the year attributable to the owners of the Company</b>	<u>258,257</u>	<u>236,690</u>	<u>79,319</u>
<b>Net earnings per share attributable to the equity holders of the Company (NIS):</b>			
Basic	<u>0.471</u>	<u>0.447</u>	<u>0.163</u>
Diluted	<u>0.470</u>	<u>0.435</u>	<u>0.161</u>
<b>Weighted average share capital used to compute the earnings per share (thousands of shares):</b>			
Basic	<u>548,673</u>	<u>529,476</u>	<u>486,454</u>
Diluted	<u>549,299</u>	<u>564,145</u>	<u>493,728</u>
<b>Other comprehensive income items that after initial recognition in comprehensive income were or will be transferred to profit or loss</b>			
Foreign currency translation differences for foreign operation	224,072	199,561	(143,367)
Income (loss) from foreign currency differences in respect of derivatives which were designated for the hedging of investments in subsidiaries which constitute foreign operations, net of tax	(195,149)	(161,328)	103,306
Company's share in changes in the capital reserve from cash flow hedge	22,941	(5,893)	(32,102)
Profit (loss) in respect of cash flow hedge – value of time, net of tax	16,602	(50,184)	(1,937)
<b>Total other comprehensive income (loss) for the year attributable to the equity holders of the Company</b>	<u>326,723</u>	<u>218,846</u>	<u>5,219</u>

The accompanying supplementary information is an integral part of the separate financial information.

**Energix – Renewable Energies Ltd.**  
**Separate Statements of Cash Flows**

	<b>For the year ended December 31</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>NIS in thousands</b>		
	<b>(Audited)</b>		
<b>Cash flows – operating activities</b>			
Income for the year	258,257	236,690	79,319
Expenses not involving cash flows (Appendix A)	(60,416)	(295,300)	(113,757)
	<u>197,841</u>	<u>(58,610)</u>	<u>(34,438)</u>
Changes in working capital (Appendix B)	4,660	13,163	(4,806)
<b>Net cash used in operating activities</b>	<u>202,501</u>	<u>(45,447)</u>	<u>(39,244)</u>
<b>Cash flows – investing activities</b>			
Investment in electricity generation systems	428	(609)	(787)
Consideration from sale of consolidated partnership	-	25,360	7,805
Investment in other fixed assets	(4,155)	(4,015)	-
Long-term loans extended to investees	(589,448)	-	(3,757)
Repayment (provision) of loan	-	13,730	-
Settlement of financial instruments	(232,820)	18,338	(13,247)
Investment in partnerships and investees	711,204	(652,903)	46,743
Consideration from sale of systems under construction	-	326	(563,439)
<b>Net cash used in investing activities</b>	<u>(141,608)</u>	<u>(673,875)</u>	<u>-</u>
<b>Cash flows – financing activities</b>			
Consideration from exercise of share options	942	29,769	9,665
Consideration from issuance of shares	-	673,745	-
Issuance of bonds and convertible bonds	-	-	312,963
Bond issuance costs	-	-	(2,006)
Repayment of principal in respect of lease liability	(1,740)	(1,515)	(1,447)
Receipt of loans from investee companies	75,119	-	-
Transaction with non-controlling interests	-	(2,860)	-
Repayment of bond principal	(74,493)	(74,489)	-
Purchase of cap option	-	-	(10,161)
Repayment of long-term loans from financial institutions	-	-	-
Receipt of short term loans from banking corporations	244,500	-	-
Repayment of short term loans from banking corporations	(52,601)	-	-
Dividend paid to Company shareholders	(252,005)	(106,779)	(87,712)
<b>Net cash from (used in) financing activities</b>	<u>(60,278)</u>	<u>517,871</u>	<u>221,302</u>
<b>Change in cash and cash equivalents</b>	615	(201,451)	(344,624)
<b>Balance of cash and cash equivalents at beginning of year</b>	95,456	297,173	641,889
<b>Effect of fluctuations in exchange rates on cash and cash equivalents</b>	(396)	(266)	(92)
<b>Balance of cash and cash equivalents at end of year</b>	<u>95,675</u>	<u>95,456</u>	<u>297,173</u>

The accompanying supplementary information is an integral part of the separate financial information.

**Energix – Renewable Energies Ltd.**  
**Separate Statements of Cash Flows**

**For the year ended December 31**

2023	2022	2021
NIS in thousands		
(Audited)		

**Appendix – Adjustments Required to Present Cash Flows from Operating Activities**

**a. Expenses (revenues) not involving cash flows:**

Financing income, net	(80,965)	(100,817)	(51,929)
Revaluation of loans, deposits and hedging instruments, net	-	-	340
Tax revenues recognized in profit (loss) for the period	62,669	8,800	14,763
Company's share in the results of associates and joint ventures	(56,973)	(196,734)	(73,368)
Depreciation and amortization	4,964	4,226	3,633
Capital gains from sale of investee partnership	-	(18,098)	(12,363)
Change in provision for employee severance pay	108	343	42
Share-based payment	9,781	6,980	5,125
	<u>(60,416)</u>	<u>(295,300)</u>	<u>(113,757)</u>

**b. Changes in asset and liability items (changes in working capital):**

Increase in trade receivables and other receivables and debit balances	(6,711)	(3,246)	(4,298)
Decrease (increase) in receivables and debit balances in respect of investee companies	6,185	1,258	(560)
Amortization of premium in respect of cap options	11,090	-	-
Increase in trade payables and other payables and credit balances	(9,697)	15,151	52
Increase (decrease) in trade payables and other payables and credit balances of investee companies	3,793	-	-
	<u>4,660</u>	<u>13,163</u>	<u>(4,806)</u>

**Non-cash activity**

Receivables from non-cash exercise of share options	-	4,639	2,922
Declared dividend	-	(7,195)	-

**Additional information**

Interest received in respect of operating activities	(7,592)	-	-
Interest paid in respect of operating activities	17,683	7,683	-
Dividend received from investee companies	12,500	6,800	8,500
Interest payments in respect of lease	288	326	394

**The accompanying supplementary information is an integral part of the separate financial information.**

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**Energix – Renewable Energies Ltd.****Supplementary Information to the Separate Financial Statements****Note 1 - General:**

- a. Presented below are financial data from the Group's Consolidated Financial Statements as of December 31, 2023 (hereinafter: the “**Consolidated Financial Statements**”) that are published within the framework of the periodic reports and are attributable to the Company itself (hereinafter: the “**Separate Financial Information**”), which are presented in accordance with Regulation 9C (hereinafter: the “**Regulation**”) and the tenth addendum of the Securities Regulations (Periodic and immediate Reports) - 1970, concerning the Corporation's separate financial information.

The separate financial information should be read in conjunction with the Consolidated Financial Statements.

**b. Definitions**

**Company** - Energix – Renewable Energies Ltd.

**Investee** - As defined in Note 1 to the Consolidated Financial Statements of the Company as of the date of the report.

**c. Significant accounting policies applied in the separate financial information**

The separate financial information was drawn up in accordance with the accounting policies that are set out in Note 3 to the Consolidated Financial Statements of the Company, with the exception of the amounts of the assets, the liabilities, the income, the expenses and the cash flows in respect of investees, as described below:

- (1) Financial position data – The assets and liabilities reflect the assets and liabilities that are included in the Consolidated Financial Statements and that are attributable to the Company itself as a parent company (excluding investments in investees).
- (2) Investments in investees are presented in the financial position data based on the share of the Company in the net amount of the total assets less the total liabilities that are included in the Consolidated Financial Statements of the Company.
- (3) Comprehensive income data – The amounts of income and expenses reflect the income and the expenses that are included in the Consolidated Financial Statements, divided into profit or loss and other comprehensive income, which are attributable to the Company itself as a parent company (excluding amounts of income and expenses in respect of investees).
- (4) The share of the Company in the results of investees is presented in the profit or loss data at the net amount of the Company's share of total revenues less total expenses that are included in the Consolidated Financial Statements of the Company and that present the operating results of investees.
- (5) Cash flow data – The amounts of cash flows reflect the amounts that are included in the Consolidated Financial Statements that are attributable to the Company itself as a parent company, including cash flows from transactions between the Company and the investees that were eliminated in the Consolidated Financial Statements, and with the exception of the amounts of cash flows deriving from activities and transactions that were carried out in the investees, divided into cash flows from operating activities, investing activities and financing activities, including a description of their components.

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**Energix – Renewable Energies Ltd.****Supplementary Information to the Separate Financial Statements**

- (6) Loans granted to and/or received from investees are presented in the amount that is attributable to the Company itself as a parent company.
- (7) Balances (including loans granted and received) and income and expenses in respect of transactions with investees, which were eliminated in the Consolidated Financial Statements, are measured and presented under the relevant items in the financial position data and the profit or loss data, in the same manner that would have been applicable to the measurement and presentation of such transactions had they been carried out with third parties.
- (8) Unrealized gains and losses on transactions between the Company and its investees are presented under the balance in respect of investees and under the profit (loss) in respect of investees.

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**Energix – Renewable Energies Ltd.****Supplementary Information to the Separate Financial Statements****Note 2 - Financial Instruments****a. Overview**

The financial instruments of the Company consist primarily of cash and cash equivalents, pledged deposits, trade receivables, other receivables and debit balances, derivatives, receivables in respect of investees, loans to investees, trade payables, payables in respect of investees, bonds, convertible bonds, and loans and credit received.

**b. Financial risks and the management thereof**

For information regarding the Company's financial risks, see Note 31b to the Consolidated Financial Statements.

**c. Presented below are risks pertaining to the financial instruments and the management thereof****(1) Credit risks**

**(a)** For information regarding the Company's credit risks, see Note 31b(1) to the Consolidated Financial Statements.

**(b)** Analysis of the contractual maturities of financial assets-

**Financial assets** - As of December 31, 2023, the anticipated maturity dates of the Company in respect of non-derivative financial assets are up to one year, in the amount of NIS 9 million which was given within the framework of a project finance transaction. For additional information, see Note 8 to the Consolidated Financial Statements.

**(2) Liquidity risks**

**(a)** For information regarding the Company's liquidity risks, see Note 31b(2) to the Consolidated Financial Statements.

**(b)** Analysis of the contractual maturities of financial liabilities-

**Energix – Renewable Energies Ltd.**  
**Supplementary Information to the Separate Financial Statements**

As of December 31, 2023								
	Interest rate	Carrying amount	Projected cash flows	Up to one year	Second year	Third year	Fourth year	Fifth year and thereafter
	%	NIS in thousands						
Trade payables, other payables and credit balances	-	17,768	17,768	17,768	-	-	-	-
Hedging financial instruments	-	116,424	116,424	93,934	5,387	4,552	3,965	8,586
Short-term borrowing from financial institutions	Prime + 0.5%-0.8%	192,411	192,411	192,411	-	-	-	-
Related party payables	-	1,500	1,500	-	1,500	-	-	-
Lease liability according to IFRS 16	Linked, 3.4%-6.28%	7,027	8,059	1,841	1,841	1,353	864	2,160
Bonds (Series A)	2.05%	524,858	564,388	85,231	83,696	82,162	80,627	232,672
Convertible bonds (Series B)	0.25%	536,280	572,270	1,417	1,417	1,417	568,019	-
Loans from investee companies	2.90%	122,128	122,128	-	-	-	-	122,128
		<u>1,518,396</u>	<u>1,594,948</u>	<u>392,602</u>	<u>93,841</u>	<u>89,484</u>	<u>653,475</u>	<u>365,546</u>

**Energix – Renewable Energies Ltd.**  
**Supplementary Information to the Separate Financial Statements**

**Note 2 - Financial Instruments (Cont.)**

- c. Presented below are risks pertaining to the financial instruments and the management thereof: (Cont.)

(2) Liquidity risks (Cont.)

	Interest rate	As of December 31, 2022						Fifth year and thereafter
		Carrying amount	Projected cash flows	Up to	Second	Third	Fourth	
				one year	year	year	year	
%	NIS in thousands							
Trade payables, other payables and credit balances		19,592	19,592	19,592	-	-	-	-
Hedging financial instruments		127,999	127,999	106,412	7,249	3,753	3,142	7,443
Related party payables		2,140	2,140	-	-	-	-	2,140
Lease liability according to IFRS 16	Linked, 3.4%-6.28%	8,767	9,036	1,841	1,841	1,841	1,353	2,160
Bonds (Series A)	2.05%	599,351	651,153	86,766	85,231	83,696	82,162	313,298
Convertible bonds (Series B)	0.25%	527,535	573,685	1,417	1,417	1,417	1,417	568,019
Loans from investee companies	2.45%	91,276	100,453	-	-	-	-	100,453
		<u>1,376,660</u>	<u>1,484,058</u>	<u>216,028</u>	<u>95,738</u>	<u>90,707</u>	<u>88,074</u>	<u>993,513</u>

(3) Market risks

For information regarding the market risks of the Company, see Note 31b(3) to the Consolidated Financial Statements.

**Presented below are the types of market risks:**

**(a) Foreign currency and linkage risks**

**Foreign currency and index** – See Note 31b(3)(a) to the Consolidated Financial Statements.

**Energix – Renewable Energies Ltd.**  
**Supplementary Information to the Separate Financial Statements**

**Note 2 - Financial Instruments (Cont.)**

- λ. Presented below are risks pertaining to the financial instruments and the management thereof: (Cont.)

**(3) Market risks (Cont.)**

**(8) Foreign currency and linkage risks (Cont.)**

The linkage and foreign currency exposure of the Company is as follows:

	As of December 31, 2023						CPI- linked NIS	Total
	EUR	PLN	USD	Other	Unlinked NIS	Total		
	NIS in thousands							
Cash and cash equivalents	19	2,792	90,623	11	2,230	-	95,675	
Trade receivables	-	-	-	-	603	-	603	
Receivables and debit balances	-	-	-	-	19,712	-	19,712	
Receivables – investee companies	-	-	-	-	4,811	-	4,811	
Loan to an investee company	-	-	-	-	518,684	-	518,684	
Hedging financial instruments	-	12,386	-	-	-	-	12,386	
	19	15,178	90,623	11	546,040	-	651,871	
Short term credit from financial institutions	-	-	-	-	192,411	-	192,411	
Trade payables, other payables and credit balances	(2)	-	-	-	17,770	-	17,768	
Loans from investee companies	-	-	-	-	122,128	-	122,128	
Other long-term liabilities	-	-	-	-	1,500	-	1,500	
Lease liability – IFRS 16	-	-	-	-	-	7,027	7,027	
Bonds (Series A)	-	-	-	-	524,858	-	524,858	
Convertible bonds (Series B)	-	-	-	-	536,280	-	536,280	
Hedging financial instruments	-	63,207	53,217	-	-	-	116,424	
	(2)	63,207	53,217	-	1,394,947	7,027	1,518,396	
Total surplus of assets over liabilities (assets over liabilities)	21	(48,029)	37,406	11	(848,907)	(7,027)	(866,524)	

**Energix – Renewable Energies Ltd.**  
**Supplementary Information to the Separate Financial Statements**

**Note 2 - Financial Instruments (Cont.)**

c. Presented below are risks pertaining to the financial instruments and the management thereof: (Cont.)

(3) Market risks (Cont.)

(a) Foreign currency and linkage risks (Cont.)

As of December 31, 2022							
	EUR	PLN	USD	Other	Unlinked NIS	CPI- linked NIS	Total
NIS in thousands							
Cash and cash equivalents	10	266	781	28	94,371	-	95,456
Trade receivables	-	-	-	-	315	-	315
Receivables and debit balances	-	-	-	-	9,588	-	9,588
Receivables – investee companies	-	-	-	-	1,542	-	1,542
Hedging financial instruments	-	64,140	-	-	-	-	64,140
	<u>10</u>	<u>64,406</u>	<u>781</u>	<u>28</u>	<u>105,816</u>	<u>-</u>	<u>171,041</u>
Trade payables, other payables and credit balances	(2)	-	-	-	19,594	-	19,592
Loans from investee companies	-	-	-	-	91,276	-	91,276
Other long-term liabilities	-	-	-	-	2,140	-	2,140
Lease liability – IFRS 16	-	-	-	-	-	8,767	8,767
Bonds (Series A)	-	-	-	-	599,351	-	599,351
Convertible bonds (Series B)	-	-	-	-	527,535	-	527,535
Hedging financial instruments	-	51,730	76,270	-	-	-	127,999
	<u>(2)</u>	<u>51,730</u>	<u>76,270</u>	<u>-</u>	<u>1,239,896</u>	<u>8,767</u>	<u>1,376,660</u>
Total surplus of assets over liabilities (assets over liabilities)	<u>12</u>	<u>12,677</u>	<u>(75,489)</u>	<u>28</u>	<u>(1,134,080)</u>	<u>(8,767)</u>	<u>(1,205,619)</u>

**Energix – Renewable Energies Ltd.**  
**Supplementary Information to the Separate Financial Statements**

Presented below is an analysis of the Group's linkage and foreign currency sensitivity:

The effect of a 10% change in the exchange rate on the profit or loss in respect of financial liabilities that are exposed to said risk (before the tax effect) is as follows:

	<b>As of December 31, 2023</b>		
	<b>Increase by 10%</b>	<b>Carrying value</b>	<b>Decrease by 10%</b>
	<b>Profit and loss / equity</b>		<b>Profit and loss / equity</b>
	<b>NIS in thousands</b>		
<b>Foreign currency sensitivity – 10% change</b>			
In Zloty (cash and cash equivalents)	279	2,792	(279)
In Euro (cash and cash equivalents)	2	19	(2)
In USD (cash and cash equivalents)	9,062	90,623	(9,062)
In Zloty (derivative financial instruments)	(20,065)	(47,026)	20,303
Hedging financial instruments – CCS	(20,065)	(3,795)	20,303
In USD (hedging financial instruments)	(20,136)	(53,217)	20,137

	<b>As of December 31, 2022</b>		
	<b>Increase by 10%</b>	<b>Carrying value</b>	<b>Decrease by 10%</b>
	<b>Profit and loss / equity</b>		<b>Profit and loss / equity</b>
	<b>NIS in thousands</b>		
<b>Foreign currency sensitivity – 10% change</b>			
In Zloty (cash and cash equivalents)	27	266	(27)
In Euro (cash and cash equivalents)	1	10	(1)
In USD (cash and cash equivalents)	78	781	(78)
In Zloty (derivative financial instruments)	(18,683)	(27,387)	18,683
Hedging financial instruments – CCS	(18,683)	39,798	18,683
In USD (hedging financial instruments)	(21,825)	(76,270)	21,881

**Energix – Renewable Energies Ltd.**  
**Supplementary Information to the Separate Financial Statements**

**Note 2 - Financial Instruments (Cont.)**

- c. Presented below are risks pertaining to the financial instruments and the management thereof: (Cont.)

(3) Market risks (Cont.)

(a) Interest rate risk

For more information regarding fair value risk and cash flow risk, see Note 31b(3)(d) to the Consolidated Financial Statements.

**Note 3 - Taxes on Income**

For information regarding the tax rate that is applicable to the Company, see Note 28 to the Consolidated Financial Statements.

a. Income tax expense (income) components

	<b>For the year ended December 31</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>NIS in thousands</b>		
<b>Current tax expense (income)</b>			
For the current year	6,756	-	2,830
	<u>6,756</u>	<u>-</u>	<u>2,830</u>
<b>Deferred tax expense (income)</b>			
Creation and reversal of temporary differences	10,046	35,402	32,767
Write-down (reversal of write-down) of deferred tax assets	45,868	(26,602)	(21,495)
	<u>55,914</u>	<u>8,800</u>	<u>11,272</u>
Total income tax expenses from continuing operations	<u>62,669</u>	<u>8,800</u>	<u>14,102</u>

**Energix – Renewable Energies Ltd.**  
**Supplementary Information to the Separate Financial Statements**

**Note 3 - Taxes on Income (Cont.)**

**b. Deferred taxes**

The deferred tax balances as of December 31, 2023 and 2022 were calculated according to the new tax rates specified in the Economic Efficiency Law (Legislative Amendments to Meet Budgetary Targets for the Years 2017-2018), according to the tax rate which is expected to apply on the date of reversal.

Presented below are the composition and movement of the deferred taxes in the years ended December 31, 2023 and 2022:

<b>2023</b>	<b>As of December 31, 2022</b>	<b>Amount carried to profit or loss</b>	<b>Carried to other comprehensive income</b>	<b>As of December 31, 2023</b>
Carryforward tax losses	49,989	(46,004)	43,562	47,547
Small and medium photo-voltaic systems	(88,040)	(159)	-	(88,199)
Financial instruments	16,898	-	3,297	20,195
Issuance costs	219	(3)	-	216
Employee benefits	484	(102)	-	382
Investment in investee companies	(41,939)	(9,646)	-	(51,585)
Balance of deferred tax asset (liability)	<u>(62,389)</u>	<u>(55,914)</u>	<u>46,859</u>	<u>(71,444)</u>
Deferred tax liability available for offsetting				(139,784)
Deferred tax assets available for offsetting				<u>68,340</u>
<b>Deferred tax liability on the statement of financial position as of December 31, 2023</b>				<u><u>(71,444)</u></u>

**Energix – Renewable Energies Ltd.**  
**Supplementary Information to the Separate Financial Statements**

<b>2022</b>	<b>As of December 31, 2021</b>	<b>Amount carried to profit or loss</b>	<b>Carried to other comprehensive income</b>	<b>As of December 31, 2022</b>
Carryforward tax losses	25,997	26,619	(2,627)	49,989
Small and medium photo-voltaic systems	(54,998)	(33,042)	-	(88,040)
Financial instruments	(32,433)	-	49,331	16,898
Issuance costs	-	(17)	236	219
Employee benefits	372	112	-	484
Investment in investee companies	(39,467)	(2,472)	-	(41,939)
Balance of deferred tax asset (liability)	(100,529)	(8,800)	46,940	(62,389)
Deferred tax liability available for offsetting				(113,081)
Deferred tax assets available for offsetting				50,692
<b>Deferred tax liability in the statement of financial position as of December 31, 2022</b>				<b>(62,389)</b>

**Energix – Renewable Energies Ltd.**  
**Supplementary Information to the Separate Financial Statements**

**Note 3 - Taxes on Income (Cont.)**

**c. Theoretical tax**

The difference between the amount calculated at the ordinary tax rates and the amount of provision for taxes is explained as follows:

	<b>For the year ended December 31</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>NIS in thousands</b>		
Profit before taxes on income	320,926	245,491	93,421
Tax rate of the Company	23%	23%	23%
	<u>73,813</u>	<u>56,463</u>	<u>21,487</u>
Tax increment (saving) in respect of: Neutralization of tax calculated in respect of the company's share in the results of associates and joint ventures	(13,105)	(45,249)	(18,830)
Company's share in the results of partnerships	(3,252)	(3,550)	334
Non-deductible expenses In respect of subsidiaries operating outside of Israel	(4,512)	(994)	9,761
Other differences	274	484	163
	<u>(11,144)</u>	<u>(47,663)</u>	<u>(7,385)</u>
Tax expense on income from continuing operations	<u>62,669</u>	<u>8,800</u>	<u>14,102</u>
Effective tax rate	20%	4%	15%

**d. Unrecognized deferred tax liabilities**

As of December 31, 2023 and 2022, a deferred tax liability which is attributed to associated companies was not recognized because the decision as to whether to sell those companies rests with the Company, which does not intend to sell in the foreseeable future, excluding a deferred tax liability in respect of the company which holds the Group's project companies in Poland, for which a liability of this kind was recognized, due to the Company's estimate that it will distribute the receipts of that company to the Company in the foreseeable future.

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**Energix – Renewable Energies Ltd.****Supplementary Information to the Separate Financial Statements****Note 4 - Material Engagements and Transactions with Investee Companies****a. Bank guarantees**

For details regarding bank guarantees of the Company, see Notes 5 and 30b to the Consolidated Financial Statements that are published together with this separate financial information.

**b. Loans and credit facilities**

(1) For more information regarding credit facilities of the Company, and the use thereof as of the Report Date, see Note 14a to the Consolidated Financial Statements which are published with this separate financial information.

(2) For more information regarding loans that the Company granted to subsidiaries and consolidated partnerships, see Note 11a(1)(b) to the Consolidated Financial Statements that are published together with this separate financial information.

**c. Agreement for the provision of services**

(1) The Company provides O&M services for photo-voltaic systems that are owned by the Projects 1 Partnership. Pursuant to the agreement, which is for a period of 20 years commencing in November 2013, with exit points every five years, the Company is entitled to fixed operation fees in the amount of NIS 420 thousand a year, linked to the CPI (actual payment of NIS 412 thousand in 2023), for repairs and handling of malfunctions as well as other services that are required for the proper function of the facilities, including - cleaning the panels, current checkups, inspection by an electrical engineer and a technician, monitoring and supervision of the performance of the systems. The fixed payments are linked to the CPI and payable every six months. The Company is also entitled to annual management fees in the amount of NIS 380 thousand, which are paid on an annual basis.

(2) The Company has provided operating services for a photo-voltaic system owned by Neot Hovav Ltd., a subsidiary of the Company. Under the agreement, which applies for the duration of the operating period, the Company is entitled receive fixed operating fees in the amount of NIS 1,500 thousand per year.

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**Energix – Renewable Energies Ltd.****Supplementary Information to the Separate Financial Statements**

(3) The Company provides for projects 2 (the Winning Projects in the first competitive proceeding, with a capacity of 90MWp), commercial operation services, for which the Company is entitled to receive annual management fees in the amount of NIS 300 thousand.

**d. Bonds**

For additional information, see Note 14d(7) to the Consolidated Financial Statements.

**e. Dividend and distributions from subsidiaries**

During the Reporting Period, wholly owned companies and partnerships of the Company distributed dividends in the amount of NIS 12.5 million.

On March 5, 2024, the Board of Directors determined that the dividend for 2024 will amount to NIS 0.40 per share, to be paid in 4 equal quarterly payments of NIS 0.10 per share, subject to a specific resolution of the Board of Directors in each quarter. Additionally, in light of the Company's operating results for 2023, the Company's Board of Directors will distribute an additional dividend in respect of 2023, which will be paid together with the dividend for Q1 of 2024, in the amount of NIS 0.20 per share, whereby the total dividend amount for the first quarter will amount to NIS 0.30 per share.

In accordance with the above, the Company announced a dividend distribution for the first quarter of 2024 in the amount of NIS 0.30 per share (NIS 164 million), payable in March 2024.

**f. Share capital**

For more information regarding a capital raising which was performed by the Company, and regarding options which were exercised during the Reported Period, see Notes 16c and 16d to the Consolidated Financial Statements which are published along with this financial information.

**g. Additional information**

For supplementary information regarding investee companies, engagements with them, projects developed by the Company and information regarding transactions with related parties, see Notes 10, 11, 15 and 25 to the Consolidated Financial Statements.

**Additional Details Regarding the Corporation for 2023**

Company name: **Energix – Renewable Energies Ltd.**  
Company Number in the Registrar: 51-390137-1  
Address: 2 Jabotinsky St., Ramat Gan 5250501  
Telephone: 03-5668855  
Facsimile: 03-5668822  
Email: [info@energix-group.com](mailto:info@energix-group.com)  
Balance sheet date: December 31, 2023  
Report approval date: March 5, 2024  
Reported period: Year ended December 31, 2023

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**All of the data in this report are presented in reported NIS, as defined in Note 2b of to the Financial Statements, unless Noted otherwise.**

**Regulation 10C – Use of consideration for securities which were offered in the prospectus**

All of the proceeds which the Company received in respect of securities which it allocated based on an offer in the prospectus were used and/or will be used by the Company to finance its operating activities, in accordance with the resolutions of the Company's Board of Directors from time to time.

For more information regarding capital and debt raisings which were offered in the prospectus during the Reported Period and until the Report Approval Date, see Regulation 20 below.



## Additional Details Regarding the Corporation

### Regulation 11 – Investments in material subsidiaries and associates as of the date of the statement of financial position

Company name	Carrying amount as of December 31, 2023	Rate of legal ownership as of the date of the statement of financial position	Rate of right to appoint Board members
	NIS in thousands		
Energix Renewable Energies Holding B.V.	657,814	100%	100%
Energix US LLC	1,544,719	58%	100% of the management rights
Energix Neot Hovav Ltd.	79,317	100%	100%
Energix Projects 1, Limited Partnership	6,227	100%	100%
Energix Construction, Limited Partnership	88,317	100.0%	100%
Clean Wind Energy Ltd.	528,047	80.5%	100%
Solaer Energix Renewable Energies, Limited Partnership (the Joint Venture)	158,746	70%	67%
Energix Projects 2, Limited Partnership	23,998	97%	100%
Solaer Energix Engineering, Limited Partnership	4,329	70%	100%

(\*) For more information regarding the Company's share, see Note 11 in Part C of the Report – Financial Statements.

### Material loans and capital Notes which were given (received) by the Company to subsidiaries and associates

Name of the company / partnership to which the loan / capital Note was given	Linkage terms	Interest	Balance as of December 31, 2023
		%	NIS in thousands
Energix Renewable Energies Holding B.V.	Unlinked	0%	496,879
Energix US LLC	Unlinked	8.5% – 10%	1,953,655
Energix Neot Hovav Ltd. – capital Notes (*)	Unlinked	8%	38,543
Energix Construction, Limited Partnership	Unlinked	2.42%	504,333
Clean Wind Energy Ltd.	Unlinked	17%	391,504
Solaer Energix Renewable Energies, Limited Partnership	Linked	8%-10%	302,633

### Additional Details Regarding the Corporation

Name of the company / partnership to which the loan / capital Note was given	Linkage terms	Interest	Balance as of December 31, 2023
		%	NIS in thousands
Energix Projects 2, Limited Partnership	Unlinked	8%-10%	47,568

(\*) The loan repayment dates have not yet been determined.

## Additional Details Regarding the Corporation

### Regulation 12 – Changes in investments in material subsidiaries and associate companies during the Reported Period

Name of company / partnership	Date	Description	Par value	Cost (consideration)
				NIS in thousands
Energix US LLC	From January 2023 to December 2023	Investment	-	230,512
Energix Renewable Energies Holding B.V.	From January 2023 to December 2023	Investment	-	(844,987)
Energix Neot Hovav Ltd.	December 23	Dividend distribution	-	(12,500)
Clean Wind Energy Ltd.	From January 2023 to December 2023	Investment	-	145,548
(173,776)	From January 2023 to December 2023	Investment	-	(173,776)
Energix Projects 2, Limited Partnership	From January 2023 to December 2023	Repayment of investment	-	(17,597)

(\*) Including inter-company interest returns.

### Regulation 13 – Income of material subsidiaries and associate companies and the Corporation's income from them for the year ended December 31, 2023 (NIS in thousands)

Company name	Profit (loss) before tax	Profit (loss) after tax	Dividend	Management fees and participation in expenses	Interest income (expenses), net
Energix Renewable Energies Holding B.V.	147,085	126,746	-	-	132,846
Energix US LLC	(55,071)	17,883	-	-	4,395
Energix Neot Hovav Ltd.	16,317	12,564	12,500	1,500	-
Energix Projects 1, Limited Partnership	1,247	1,247	-	880	-
Energix South Har Hevron, Limited Partnership	669	669	-	-	4,856
Clean Wind Energy Ltd.	(5,847)	(4,533)	-	-	67,080
Solaer Energix Renewable Energies, Limited Partnership (the Joint Venture)	(2,645)	(2,645)	-	-	50,209
Energix Projects 2, Limited Partnership	(2,844)	(2,844)	-	300	3,535

## Additional Details Regarding the Corporation

Company name	Profit (loss) before tax	Profit (loss) after tax	Dividend	Management fees and participation in expenses	Interest income (expenses), net
Solaer Energix Engineering, Limited Partnership	236	236	-	100	-

### **Regulation 20 – Trading on the stock exchange – securities listed for trading – dates and reasons for suspension of trading**

In the Reported Period, 863,613 ordinary shares with a par value of NIS 0.01 each were listed for trading ("**Ordinary Shares**"), following the exercise of non-negotiable Company options (Series 04/2021).

During the Reported Period, a suspension of trading did not take place, excluding conventional suspensions of trading due to the publication of financial statements and immediate reports regarding an event or matter which is not in the Corporation's ordinary course of business.

### **Regulation 21 – Remuneration to interested parties and corporate officers**

Presented below are details regarding the remuneration which was given to the highest recipients of remuneration during the reporting year, as recognized in the Company's financial statements, paid (a) to the five highest ranking corporate officers of the Company or of a corporation under its control, and which was given in connection with their tenure in the Company or in a corporation which is under the Company's control; (b) to each of the three top remunerated officers of the Company, remunerated for their office with the Company (unless included in sub-section (a) above); and (c) to all interested parties in the Company (data – NIS in thousands).

Name	Position	Scope of position	Holding in the Company's capital <sup>(3)</sup>	Payroll	Bonus <sup>(9)</sup>	Total	Application of benefit in respect of share-based payment <sup>(1)</sup>	Value of additional benefits <sup>(2)</sup>	Total
Asa Levinger	CEO	Full	(4) 0.80%	1,645	-	1,645	5,642	150	7,437
Dafna Reznick	VP Legal	Full	(6) 0.08%	975	-	975	1,089	69	2,133
Moran Birman	VP Business Development	Full	(7) -%	975	-	975	969	74	2,018

## Additional Details Regarding the Corporation

Name	Position	Scope of position	Holding in the Company's capital <sup>(3)</sup>	Payroll	Bonus <sup>(9)</sup>	Total	Application of benefit in respect of share-based payment <sup>(1)</sup>	Value of additional benefits <sup>(2)</sup>	Total
Wylie Levone	Legal Counsel US	Full	(8) -%	1,322	369	1,690	1,537	59	3,287
	VP, Business Development –	Full	-	1,311	-	1,311	2,016	96	3,423

- (1) The application of the benefit is presented in accordance with accounting principles. As of December 31, 2023, the share price on the stock exchange was NIS 13.36, 9% higher than the option exercise price in the 2022 plan (NIS 14.67, non-linked), and 17% higher than the option exercise price in the 2021 plan (NIS 11.41, non-linked). It may also include an annual bonus amount in respect of 2021 which was converted to equity remuneration and accelerated in its entirety (such that it became immediately exercisable), since it was given instead of a cash bonus. For more information, see remark (9) below, and additional regarding the employment terms of corporate officers.
- (2) Includes the benefit of an exclusive vehicle / participation in travel expenses and other benefits in respect of employer – employee relationships.
- (3) Holding stake in Company capital as of December 31, 2023 (without taking into account the outstanding options of each officer).
- (4) Holding stake in Company capital of the CEO as of December 31, 2023, fully diluted, was 1.43%.
- (5) Holding stake in Company capital of the COO and Manager or Energix USA Operations as of December 31, 2023 was 0.15%.
- (6) Holding stake in Company capital of the VP, Legal Counsel and Corporate Secretary as of December 31, 2023, fully diluted, was 0.29%.
- (7) Holding stake in Company capital of the VP, Business Development as of December 31, 2023, fully diluted, was 0.19%.
- (8) Holding stake in Company capital of the VP and Legal Counsel – USA as of December 31, 2023, fully diluted, was 0.08%.
- (9) in accordance with the Company's officer remuneration policy, the annual bonus of the Company's CEO is comprised of a measurable bonus only, subject to a cap, and the bonus for the VP Legal and for the VP Business Development is comprised of a measurable component and a discretionary bonus. The bonus cap in respect of the measurable component, was determined in advance in a resolution of the Board of Directors dated February 2023 (as recommended by the Remuneration Committee), and in respect of the discretionary bonus, in accordance with a discussion and approval of the Remuneration Committee, on February 29, 2024, and the Company's Board of Directors, on March 5, 2024, soon prior to approval of the Financial Statements. The entire annual bonuses of the Company's CEO, VP Legal and VP Business Development were given by way of equity remuneration instead of an annual cash bonus.

For additional details about the management agreement with Alony Hetz, see Regulation 22 in Part D of the Report – Additional Details, and Note 25 in Part C of the Report – Financial Statements.

### A. Additional details regarding the employment terms of corporate officers

#### 1. Remuneration policy for corporate officers

The Company has a remuneration policy for corporate officers which was updated on August 14, 2022, with the approval of the general meeting (the "**Remuneration Policy**"), and which is in accordance with Amendment 20 to the Corporate Act – 1999 (the "**Corporate Act**"). The remuneration policy determines the framework for remuneration of the Company's officers, and includes, inter alia, reference to the components of fixed remuneration, which is the main remuneration for officers, which includes a fixed salary, social benefits, fringe benefits and terms of retirement and termination of employment, and also to components of variable remuneration, which include the Company's authority to grant to officers, in its discretion, any non-fixed remuneration, including a measurable, performance-dependent annual bonus which is comprised of the net profit component, standardized EBITDA, fulfillment of project-specific quantitative performance targets, as well as a discretionary bonus component, which is based on the achievement of personal targets and qualitative criteria, in accordance with the relevant officer's areas of responsibility. The annual bonus may be given in cash or as equity remuneration. The remuneration plan includes medium term equity remuneration, by virtue of which the Company may grant to officers in the Company, excluding the Company's CEO, and Board members holding office therein from time to time, and long term equity remuneration, which is given to the Company's CEO and to officers. The update to the remuneration policy included the removal of the discretionary bonus component for the Company's CEO, and the determination of a remuneration cap for officers of up to 8 months' employment cost for the annual bonus (measurable and discretionary), and up to 6 months' employment cost for the medium term equity bonus. A remuneration cap of up to 6 months' employment cost is determined for the Company's CEO (measurable only), subject to a specific resolution which is passed each year by the Company's Board of Directors, with the recommendation of the Company's Remuneration Committee.

For more information regarding the remuneration policy which was in effect as of the Reported Period and until the Report Approval Date, see the supplementary immediate report regarding the convention of the general meeting dated August 9, 2022 (reference number 2022-01-100924), which is presented herein, in its entirety, by way of reference.

**Presented below are more information regarding the remuneration of the Company's corporate officers:**

#### 2. The Company's CEO

For more information regarding the employment terms of the Company's CEO, in accordance with the remuneration package which was approved by the general meeting in August 2022, see Note 25c in Chapter C of the Report – Financial Statements, and the immediate report

## Additional Details Regarding the Corporation

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regarding the convention of the general meeting dated August 9, 2022 (reference number 2022-01-100924), which is presented herein, in its entirety, by way of reference.

For more information regarding the granting of options to the CEO, see Notes 25c and 32e in Chapter C of the Report – Financial Statements.

### 3. COO and US Activity Manager of Energix

Itamar Sarusi, the Company's COO and US Activity Manager (the "**US Activity Manager**") has been employed by a subsidiary of the Company in the USA, Energix US, LLC, since November 2019. In accordance with his employment terms, beyond his gross salary, the US Activity Manager is entitled to standard social benefits and fringe benefits according to the standard practice in the United States, and in total, the VP Legal US's total employment cost in 2023 amounted to a total of USD 381 thousand. The employment agreement of the US Activity Manager also determines that he is entitled to an annual bonus and to equity remuneration in the discretion of the subsidiary, and in respect of equity remuneration, also the Company. As part of the above, in respect of 2023 the US Activity Manager is entitled (i) to a cash bonus in the amount of USD 90 thousand, instead of an annual cash bonus. Accordingly, on March 5, 2024, the Company's Board of Directors resolved to grant to the US Activity Manager 96 thousand options, worth USD 90 thousand, instead of a cash bonus, within the framework of the Company's options plan, and in accordance with the authority of the Company's Board of Directors, those options were fully accelerated, such that they became immediately exercisable (the grant is subject to the stock exchange's pre-approval for listing for trading); and (ii) medium-term equity-based remuneration for 2023, amounting to USD 90 thousand, whereby the Company allotted to the Operations Manager, USA 96 thousand options for the medium term, under the Company's employee stock option plan (this allotment is subject to the stock exchange's pre-approval for listing for trading).

### 4. VP Legal US

Wylie H. Levone, VP Legal US (the "**VP Legal US**"), has been employed by a subsidiary of the Company in the USA, Energix US, LLC, since January 2021. In accordance with his employment terms, the VP Legal US is entitled, beyond his gross salary, to standard social benefits and fringe benefits according to the standard practice in the United States, and in total, the VP Legal US's total employment cost in 2023 amounted to a total of USD 474 thousand. The employment agreement of the Company's VP Legal US also determines that he is entitled to an annual bonus and to equity remuneration in the discretion of the subsidiary and the Company (regarding equity remuneration). Accordingly, the bonuses to the VP, Legal Counsel – USA for 2023 include: (i) annual bonus amounting to USD 120 thousand; and (ii) medium term equity remuneration for 2023, at a value of USD 120 thousand, by virtue of which 130 medium term options were allocated to the VP Legal US, as part of the

## Additional Details Regarding the Corporation

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Company's employee options plan (the allocation is subject to the receipt of listing pre-approval from the stock exchange and to approval of the 2024 plan by the tax authorities).

### 5. VP Business Development

Moran Birman, the Company's VP Business Development, is considered a corporate officer since November 21, 2016 ("**VP Business Development**"). VP, Business Development is employed

by the Company pursuant to an employment contract dated September 2012, as revised from time to time. In accordance with the employment agreement, the VP Business Development is entitled to the conventional social benefits and fringe benefits (food and lodging expenses and a cellphone, in accordance with the Company's conventional practice), a company vehicle, and payment of vehicle maintenance costs. The monthly employment cost of the VP Business Development (employer's cost) for 2023 amounted to a total of NIS 975 thousand per month (excluding bonuses). Additionally, the employment agreement of the Company's VP Business Development determines that she is entitled to an annual bonus and to equity remuneration in accordance with the Company's remuneration policy. Accordingly, the bonuses to the VP Business Development in respect of 2023 include (i) an annual bonus according to the quantitative and qualitative targets which were determined for her by the Company's Board of Directors, with the Remuneration Committee's recommendation, in the total amount of NIS 300 thousand (gross), which was entirely given by way of equity remuneration, instead of an annual cash bonus. Accordingly, on March 5, 2024, the Company's Board of Directors resolved to allot to the VP, Business Development 91 thousand options under the Company's options plan, and in accordance with the authority of the Company's Board of Directors and with the remuneration policy, those options were fully accelerated, such that they became immediately exercisable (the grant is subject to the stock exchange's pre-approval for listing for trading and to approval of the 2024 plan by the tax authorities); and (ii) medium-term equity-based remuneration for 2024, amounting to NIS 250 thousand, whereby the Company allotted to the VP, Business Development 75.818 thousand options, under the Company's employee stock option plan (this allotment is subject to the stock exchange's pre-approval for listing for trading and to approval of the 2024 plan by the tax authorities).

The Company Board of Directors, in a resolution dated March 5, 2024, as recommended by the Remuneration Committee, (i) revised the gross monthly salary of the VP, Business Development to NIS 65 thousand, as from the March 2024 salary, and (ii) allocated 75,818 medium term options in respect of equity remuneration for 2024, at a value of NIS 250 thousand (the allocation is subject to the receipt of listing pre-approval from the stock exchange and to approval of the 2024 plan by the tax authorities).

### 6. VP Legal

Dafna Reznick, the Company's VP Legal, has been considered a corporate officer since January 13, 2016 (the "**VP Legal**"). The VP, Legal is employed by the Company pursuant to an employment contract as from May 2013, as revised from time to time. In accordance with the employment agreement, the VP Legal is entitled to the conventional social benefits and fringe benefits (food and lodging expenses and a cellphone, in accordance with the Company's conventional practice), a company vehicle, and payment of vehicle maintenance costs. The monthly employment cost of the VP Legal (employer's cost) for 2023 amounted to a total of NIS 975 thousand per month (excluding bonuses). The employment agreement of the Company's VP Legal also determines that she is entitled to an annual bonus and to equity remuneration in accordance with the Company's remuneration policy. Accordingly, the bonuses to the VP Legal in respect of 2023 include (i) an annual bonus according to the quantitative and qualitative targets which were determined for her by the Company's Board of Directors, with the Remuneration Committee's recommendation, in the total amount of NIS 360 thousand (gross), which was entirely given by way of equity remuneration, instead of an annual cash bonus. Accordingly, on March 5, 2024, the Company's Board of Directors resolved to allot to the VP, Legal 109 thousand options under the Company's options plan, *in lieu* of the cash bonus, and in accordance with the authority of the Company's Board of Directors and with the remuneration policy, those options were fully accelerated, such that they became immediately exercisable (the grant is subject to the stock exchange's pre-approval for listing for trading and to approval of the 2024 plan by the tax authorities); and (ii) medium-term equity-based remuneration for 2024, amounting to NIS 300 thousand, whereby the Company allotted to the VP, Legal 90,982 medium-term options, under the Company's employee stock option plan (this allotment is subject to the stock exchange's pre-approval for listing for trading and to approval of the 2024 plan by the tax authorities).

The Company Board of Directors, in a resolution dated March 5, 2024, as recommended by the Remuneration Committee, (i) revised the gross monthly salary of the VP, Legal to NIS 65 thousand, as from the March 2024 salary, and (ii) allotted 90,982 medium term options in respect of equity remuneration for 2024, valued at NIS 300 thousand (the allocation is subject to the receipt of listing pre-approval from the stock exchange and to approval of the 2024 plan by the tax authorities).

### 7. Equity remuneration

## Additional Details Regarding the Corporation

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For more information regarding equity remuneration and the Company's option plans in connection with the granting of equity remuneration to officers, see Sections 17.4 and 17.5 in Part A – Description of the Corporation's Business, and Note 32e in Part C of the Report – Financial Statements.

### **B. Presented below are details regarding the remuneration which was given to interested parties in the Company who are not listed in Section A above, by the Company or by a corporation under its control.**

1. Board member remuneration – For more information regarding the remuneration which the Company's Board members are entitled to receive, and the amounts which were paid to them during the Reported Period, and regarding medium-term equity remuneration which the Board resolved, in its meeting on March 10, 2022, to grant to directors who are not employed by the Company and Alony Hetz, see Note 25d(3) in Part C of the Report – Financial Statements.
2. Release and indemnity and officers' liability insurance – In accordance with the Company's remuneration policy, it is authorized to grant release and indemnity to directors and officers who are employed by it, in accordance with the Company's standard practice. As part of the general meeting's decision from July 2017 (see Regulation 29a.a below), the letters of release for the Company's corporate officers were replaced, such that, beginning from the date of their provision by the Company, the Company's undertaking to release applies in the updated wording. In the general meeting which was held in May 2018, the Company changed the wording of the letters of indemnity which had been practiced in the Company, and this wording is used by the Company for the granting of letters of indemnity to Board members and officers who hold office in the Company from time to time, including directors on behalf of the controlling shareholder and the Company's CEO. The Company also has insurance policies for corporate officers. For additional information, see Note 25d(1) in Chapter C of the Report – Financial Statements.

### **Regulation 21A – The Company's controlling shareholders**

The controlling shareholder of the Company is Alony Hetz Assets and Investments Ltd., pursuant to its holding of 50.31% of the Company's issued and paid-up share capital as of December 31, 2023 (in conformity with immediate report about holdings of interested parties and senior officers, issued by the Company, reference no. 2024-01-002742). To the best of the Company's knowledge, as from November 26, 2019, Alony Hetz is a company without a control core.

### **Regulation 22 – Transactions with controlling shareholders or transactions in which the controlling shareholders have a personal interest**

For details regarding any transaction with the controlling shareholder, or regarding which the controlling shareholder has a personal interest in its approval, in which the Company, companies under its control, and its related companies engaged during the reporting year or after December 31, 2023 and until the publication date of this report, or which is still in effect as of the publication date of this report, including a distinction between transactions in accordance with section 270(4) of the Corporate Act, and other transactions, see Note 25a and 25b in Chapter C of the Financial Statements.

For more information about the negligible transaction procedure and about negligible transactions with controlling shareholders, or in which controlling shareholders have a personal interest, conducted by the Company in the Reported Period or from the Report Date through the Report Issue Date, see Notes 25a and 25b in Part C of this report – Financial Statements.

### **Regulation 24 – Shares and convertible securities which are held by interested parties in the Corporation**

For a list of interested parties and corporate officers who hold, to the best of the Company's knowledge, as of December 31, 2023, shares and options of the Company, see the immediate report which was published by the Company on January 7, 2024, reference number 2024-01-002742. The information which is provided in the aforementioned immediate report is included herein by way of reference.

### **Regulation 24a – Registered capital, issued capital and convertible securities as of March 5, 2024**

## Additional Details Regarding the Corporation

	<b>Number of shares / convertible securities</b>
Registered capital	1,000,000,000
Issued capital	547,808,952
Non-marketable options to the Company's CEO 08/2019	4,593,150
Non-marketable options to employees and corporate officers 04/2020	2,167,000
Non-marketable options to employees and corporate officers 04/2021	2,368,558
Non-marketable options to employees and corporate officers 04/2022	2,225,525
Non-marketable options to the Company's CEO 08/2022	10,000,000
Non-marketable options to corporate officers 08/2022	7,933,334
Non-marketable options to employees and corporate officers 08/2022	95,337
Non-marketable options to employees and corporate officers 11/2022	30,848
Convertible bonds (Series B)	566,602,000

### **Regulation 24b – Shareholder registry as of March 5, 2024**

All ordinary shares (547,808,952 ordinary shares with a par value of NIS 0.01 each, security number 1123355) are held at the Nominee Company of the Tel Aviv Stock Exchange (Private Company No. 515736817), at 2 Ahuzat Bayit Street, Tel Aviv.

## Additional Details Regarding the Corporation

### Regulation 26 – Directors in the Corporation:

Name	Nathan Hetz – Chairman of the Board	Aviram Wertheim	Oren Frankel	Einat Tzafrir	Linda Ben Shushan	Meir Shani	Orna Hozman- Bechor
<b>ID No.</b>	51673192	555852770	023944176	022233035	059279224	008409732	024570202
<b>Date of birth</b>	October 7, 1952	October 25, 1958	July 24, 1968	February 21, 1966	May 26, 1965	September 8, 1945	November 12, 1969
<b>Address</b>	12 Litvinsky St., Ramat Gan	8 HaTarbut St., Ramat HaSharon	11 HaPardes St., Avihayil	72/29 Yehoshua Bin Nun St., Tel Aviv	16 Geffen St., Maccabim 71799	15 Yitzchak Elhanan St., Tel Aviv 6525015	7 HaPrachim St., Ramat HaSharon 4723121
<b>Citizenship</b>	Israeli	Israeli	Israeli	Israeli	Israeli	Israeli and Polish	Israeli
<b>Membership in committees of the Board of Directors</b>	No	No	No	Yes – Audit and Remuneration Committee, and Financial Statements Review Committee	Yes – Audit and Remuneration Committee, and Financial Statements Review Committee	Yes – Audit and Remuneration Committee, and Financial Statements Review Committee	Yes – Audit and Remuneration Committee, and Financial Statements Review Committee
<b>Independent / external Board member?</b>	No	No	No	Yes – External Board member	Yes – External Board member	Yes – Independent Board member	Yes – independent Board member

## Additional Details Regarding the Corporation

Name	Nathan Hetz – Chairman of the Board	Aviram Wertheim	Oren Frankel	Einat Tzafrir	Linda Ben Shushan	Meir Shani	Orna Hozman-Bechor
<b>Employee of the Corporation, a subsidiary, a related company, or an interested party</b>	Since January 1, 1993, has served as the CEO of Alony Hetz Properties and Investments Ltd., the Company's controlling shareholder.	Chairman of the Board of Alony Hetz Properties and Investments Ltd., the Company's controlling shareholder, Board member in Amot Investments Ltd. and in additional companies of the group of Alony Hetz Properties and Investments Ltd.	CFO of Alony Hetz – properties and investments Ltd., Board member in the Company and in the Company's consolidated companies, and in private companies of Alony Hetz Properties and Investments Ltd.	No	No	No	No
<b>Commencement date of tenure as a Board member in the Company</b>	December 7, 2006	January 18, 2011	July 20, 2014	August 1, 2023	August 1, 2017	June 6, 2019	September 1, 2021
<b>Education</b>	BA in Economics and Business Administration – Bar Ilan University, BA in Accounting – Tel Aviv University,	BA in Business Administration and Accounting – Academic Track of The College of Management Academic Studies,	BA in Business Administration and Accounting – The College of Management Academic Studies, MST – University	BA in Economics and Business Administration, MA in Economics.	BA in Economics, Sociology and Social Anthropology from The Hebrew University, Jerusalem.	BA in Economics and Accounting – Tel Aviv University, Certified Public Accountant, MBA – Tel Aviv University	BA in Business Administration from Thames Valley University, London

## Additional Details Regarding the Corporation

Name	Nathan Hetz – Chairman of the Board	Aviram Wertheim	Oren Frankel	Einat Tzafrir	Linda Ben Shushan	Meir Shani	Orna Hozman-Bechor
	Certified Public Accountant.	Certified Public Accountant.	of San Jose, California, Certified Public Accountant.		MBA (Finance and Banking) – The Hebrew University, Jerusalem .		EMBA from Bar Ilan University.
<b>Occupation during the last five years</b>	CEO of Alony Hetz Properties and Investments Ltd., the Company's controlling shareholder, the Company's Chairman of the Board, the Chairman of the Board of Amot Investments Ltd., and Chairman of the Board of Carr Properties, and Chairman of the Board of Brockton Everlast.	Chairman of the Board of Alony Hetz Properties and Investments Ltd.	CFO of Alony Hetz Properties and Investments Ltd..	Involved in financial consulting; Board member of Shafir Engineering and Industry Ltd., Hilan Ltd., Yaakov Finance and Investments Ltd., Migdaley HaYam HaTichon, Altshuler Shacham Investment Portfolio Management Ltd.	Member of Advisory Board of Monte – venture fund with fintech and insuretech investments, external Board member and Chair, Investment Committee of Provident Fund for Academics (MACHAR), external Board member of Netivey Israel – National Transport Infrastructure	Board member and owner of Shani Aharoni (1995) Ltd. (since 1995), Board member and consultant in Shnei Hadasim Ltd. (1990's – present).	Chairman of the Board Ashdod Port Ltd., Board member General of the Ministry of Interior, Board member General of the Ministry of Energy and Water, Board member General of the Ministry of Regional Cooperation,

## Additional Details Regarding the Corporation

Name	Nathan Hetz – Chairman of the Board	Aviram Wertheim	Oren Frankel	Einat Tzafrir	Linda Ben Shushan	Meir Shani	Orna Hozman- Bechor
					Company Ltd., external Board member of MDG Real Estate Global LTD, member of Forma – private equity fund with real estate investments in Europe, external Board member and Chair, Investment Committee in Rom Study Fund, external Board member and Chair, Investment Committee in Provident Fund for El Al Employees.		Board member General of the Ministry for the Development of the Periphery, the Negev and the Galilee.
<b>Corporations in which serves as a Board member</b>	Energix – Renewable Energies Ltd. (Chairman), Alony Hetz Properties and Investments Ltd.,	Alony Hetz Properties and Investments Ltd. (Chairman) Amot Investments Ltd., Carr Properties	Board member in consolidated companies of the Company, and in consolidated companies of Alony	External Board member of Hilan Ltd., Independent Board member of Yaakov Finance and Investments Ltd.	External Board member of: Taro Pharmaceutical Industry Ltd., MRR Thirteen Limited, Priortech	Green Stream Ltd., Shani Hadasim Ltd., A.G.D.A. Ltd., Shani Aharoni Investments (1995) Ltd.	Bazan, Migdal Holdings, Megureit Israel Ltd., Global Wings Leasing Ltd., member

### Additional Details Regarding the Corporation

Name	Nathan Hetz – Chairman of the Board	Aviram Wertheim	Oren Frankel	Einat Tzafrir	Linda Ben Shushan	Meir Shani	Orna Hozman-Bechor
	Amot Investments Ltd. (Chairman), Carr Properties (Chairman), Brockton Everlast Inc., Board member in consolidated companies of Alony Hetz and of Oxford Properties, Board member of subsidiaries of the Company, of Alony Hetz, Amot and CARR, Board member of Mind Israel (Public Interest Company) and Board member in private companies owned by him and by his family members.	Corporations, and a Board member in consolidated companies of Alony Hetz, in Carr, in companies jointly held by Alony Hetz and Oxford Properties, and in private companies owned by him and by his family members.	Hetz Properties and Investments Ltd.		Ltd., Migdal Insurance and Financial Holdings Ltd., Sufrin Holdings Ltd.		of Audit Committee of the Management College.
<b>Family member of another interested party</b>	No	No	No	No	No	No	No

**Additional Details Regarding the Corporation**



Name	Nathan Hetz – Chairman of the Board	Aviram Wertheim	Oren Frankel	Einat Tzafrir	Linda Ben Shushan	Meir Shani	Orna Hozman- Bechor
in the Corporation							
Whether the Company considers him as having accounting and financial expertise for the purpose of meeting the minimum number determined by the Board of Directors in accordance with section 92(a)(12) of the Corporate Act.	Yes	Yes	Yes	Yes	Yes	Yes	Yes

## Additional Details Regarding the Corporation

### Regulation 26A – Corporate officers in the Corporation

Name	Asa Levinger	Dafna Reznick	Moran Birman	Tanya Friedman	Omri Reif	Israel Gvartz
ID No.	033515958	034926345	301112959	309279859	021585690	33762139
Date of birth	November 20, 1976	February 2, 1978	October 23, 1987	February 5, 1984	May 25, 1985	February 19, 1977
Position held in the Corporation	CEO, Market Risks Manager	VP Legal	VP Business Development	CFO	Comptroller	Internal Auditor
Position held in a subsidiary of the Corporation or in an interested party thereof	Board member and President of the subsidiaries	Board member in a subsidiary of the Company	Board member in subsidiaries of the Company	Board member in subsidiaries of the Company	None	Internal Auditor of Alony Hetz
Independent authorized signatory in the Corporation	No	No	No	No	No	No
Interested party in the Corporation	Yes	No	No	No	No	No
Family member of a corporate officer or interested party	No	No	No	No	No	No

## Additional Details Regarding the Corporation



Name	Asa Levinger	Dafna Reznick	Moran Birman	Tanya Friedman	Omri Reif	Israel Gvirtz
<b>Education</b>	BA in Computer Engineering – Technion (Department of Electrical Engineering), MBA – Technion	Attorney, BA in Law and Economics, MBA with a specialization in finance, Tel Aviv University	BA in Business Administration – IDC Herzliya	BA in Accounting and Economics – Tel Aviv University, Certified Public Accountant; and MBA with a specialization in finance, Tel Aviv University	BA in Business Administration with a major in Accounting – The College of Management Academic Studies, Certified Public Accountant	C.P.A., B.A. in Economics and Accounting, Certified Internal Auditor (CIA) and Certified in Risk Management Assurance (CRMA) by the American Institute of Internal Auditors
<b>Main occupations in the last five years</b>	Current position	Current position	Current and previous position – various positions in the Company	Current position, and previously Interim CFO and Comptroller in the Company	Current position, and previously CFO of Shalev & Sons Ltd., comptroller at Gindi Tel Aviv Towers Ltd.	Partner in Fahn Kanne Monitoring Management Ltd.
<b>Start date of tenure</b>	October 2009	May 2013	November 21, 2016	December 22, 2022	May 16, 2022	July 5, 2016

**Regulation 26B – Independent authorized signatories**

There are no independent authorized signatories in the Company.

**Regulation 27 – The Corporation's Accountant**

Deloitte, Brightman Almagor Zohar & Co., of 132 Menachem Begin Rd., Azrieli Center 1, Tel Aviv.

**Regulation 29 – Recommendations and resolutions of the Board of Directors, special general meetings**

- a. In 2023, the general meeting did not pass any resolutions which were not in accordance with the recommendations of the Board members, in accordance with Regulation 29a(a) of the Regulations.
- b. For more information regarding issuances within the framework of the exercise of options granted to Company employees, see Note 16 in Part C of the Report – Financial Statements.
- c. For details regarding the resolution of the Company's Board of Directors, on February 26, 2023, to adopt a dividend policy for 2023, see Note 16e in Part C – Financial Statements, and the Company's immediate report dated February 27, 2023 (reference number 2023-01-021120), which is presented herein, in their entirety, by way of reference.
- d. For details regarding the Board of Directors' resolution, on February 26, 2023, to distribute a dividend in the amount of NIS 0.25 per ordinary Company share, and in a total amount of NIS 136,952 thousand, see Note 16e in Part C – Financial Statements, and the Company's immediate report dated February 27, 2023 (reference number: 2023-01-021126), which is presented herein, in its entirety, by way of reference.
- e. For details regarding the Board of Directors' resolution, on May 14, 2023, to distribute a dividend in the amount of 7 agorot per ordinary Company share, and in a total amount of NIS 38,346 thousand, see Note 16e in Part C – Financial Statements, and the Company's immediate report dated May 15, 2023 (reference number: 2023-01-051540), which is presented herein, in its entirety, by way of reference.
- f. For more information about revision of terms of the management agreement with the controlling shareholder, Alony Hetz, and extension of this agreement for 3 years as from July 1, 2023, as recommended by the Audit Committee and by the Company Board of Directors on July 6, 2023, see immediate report dated July 12, 2023 (reference no. 2023-01-079410).
- g. For details regarding the resolution of the Company's Board of Directors, on August 8, 2023, to distribute a dividend in the amount of NIS 0.07 per ordinary Company share, and in the total amount of NIS 34,348 thousand, see Note 16e in Part C – Financial Statements, and the Company's immediate report dated August 9, 2023 (reference number 2023-01-091530), which is presented herein, in its entirety, by way of reference.

- h.** For details regarding the resolution of the Company’s Board of Directors, on November 12, 2023, to distribute a dividend in the amount of NIS 0.07 per ordinary Company share, and in the total amount of NIS 263.358 thousand, see Note 16e in Part C – Financial Statements, and the Company’s immediate report dated November 13, 2023 (reference number 2023-01-123675), which is presented herein, in its entirety, by way of reference.
- i.** For details regarding the resolution of the Company’s Board of Directors, on March 5, 2024, to distribute a dividend in the amount of NIS 0.30 per ordinary Company share, and in the total amount of NIS 164 thousand, see Note 16e in Part C – Financial Statements, and the Company’s immediate report about dividend distribution, issued soon prior to filing this report.

**Regulation 29A – The Company's resolutions**

- a.** For more information regarding the Company’s resolutions in respect of indemnity, release and insurance, see Section 21b.2 above and Note 25d(2) in Part C – Financial Statements.

\_\_\_\_\_  
Nathan Hetz  
Chairman of Board of Directors

\_\_\_\_\_  
Asa Levinger  
CEO

**Appendix A – Report Regarding the Effectiveness of Internal Control over Financial Reporting and Disclosure**

**Annual Report for 2023 Regarding the Effectiveness of Internal Control over Financial Reporting and Disclosure Pursuant to Regulation 9B(a)**

Management, under the supervision of the Board of Directors of Energix Renewable Energies Ltd. (hereinafter: the “**Corporation**”), is responsible for designing and maintaining adequate internal control over financial reporting and disclosure in the Corporation.

In this respect, the members of management are:

- 1. Asa Levinger, CEO;

### 2. Tanya Friedman, CFO;

Internal control over financial reporting and disclosure includes controls and procedures in place in the Corporation, which were planned by the CEO and the most senior finance corporate officer or under their supervision, or by whoever actually performs such duties, under the supervision of the Corporation's Board of Directors, with the aim of providing reasonable assurance regarding the reliability of financial reporting and the preparation of the Financial Statements in accordance with law, and to assure that information the Corporation is required to disclose in the Financial Statements it issues according to law has been collected, processed, summarized and reported at the time and in the manner required by law.

Internal control includes, inter alia, controls and procedures that were designed in order to assure that information the Corporation is required to disclose is accumulated and transferred to management of the Corporation, including the CEO and the most senior finance corporate officer or to whoever performs such duties, so that timely decisions may be made concerning the disclosure requirement.

Because of its inherent limitations, internal control over financial reporting and disclosure is not designed to provide absolute certainty that a misstatement or omission of information will be prevented or detected.

Management, under the supervision of the Board of Directors, performed an evaluation and assessment of internal control over financial reporting and disclosure in the Corporation, and of the effectiveness thereof. The evaluation of the effectiveness of internal control over financial reporting and disclosure which was performed by management under the supervision of the Board of Directors included the implementation of the guiding principles which were published by the Israel Securities Authority in November 2010, in connection with the implementation of the evaluation regarding the effectiveness of internal control over financial reporting and disclosure by the Board of Directors and management, with reference to the following controls: Entity-level controls, general controls over information systems, controls over the process of drawing up and finalizing the Financial Statements, and controls over processes which are highly material to financial reporting and disclosure. Based on this evaluation, the Board of Directors and management of the Corporation reached the conclusion that the internal control over financial reporting and disclosure in the Corporation, as of December 31, 2023, is effective.

**Manager certifications:**

(a) CEO certification pursuant to Regulation 9b(d)(1)

**Manager certification  
CEO certification**

I, Asa Levinger, certify that:

1. I have reviewed the periodic report of Energix Renewable Energies Ltd. (hereinafter: the "**Corporation**") for 2023 (hereinafter: the "**Reports**");
2. Based on my knowledge, the reports do not contain any untrue statement of a material fact or omit to state a material fact which is necessary in order to make the statements which were made, in light of the circumstances under which such statements were made, not misleading in respect of the period covered by the reports;
3. Based on my knowledge, the Financial Statements and other financial information included in the reports, fairly present in all material respects, the financial position, results of operations and cash flows of the Corporation as of the dates and for the periods presented in the reports.
4. I have disclosed, based on my most recent evaluation regarding internal control over financial reporting and disclosure, to the Corporation's Auditors, Board of Directors, and Audit and Financial Statements Review Committees:
  - a. I have not become aware of the occurrence of any event or matter during the period between the date of the last report (quarterly or periodic, as applicable) and the date of this report, that could change the conclusion of the Board of Directors and management regarding the effectiveness of internal control over financial reporting and disclosure of the entity.
  - b. Nothing in the aforesaid derogates from my responsibility or from the responsibility of any other person under the law. \_\_\_\_\_
5. I, alone or together with others in the Corporation:
  - a. have designed such controls and procedures, or caused such controls and procedures to be designed under my supervision, to ensure that material information relating to the Corporation, including its consolidated corporations within their meaning in the Securities Regulations (Annual Financial Statements) – 2010, is made known to me by others in the Corporation and within those consolidated corporations, particularly during the period in which the reports are being prepared; and -
  - b. Based on my knowledge, the interim financial statements and the other financial information which is included in the interim reports do not contain any untrue statement of a material

fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading in respect of the period covered by the reports; Based on my knowledge, the interim financial statements and other financial information included in the interim reports fairly represent, in all material respects, the financial position, results of operations and cash flows of the Corporation as of the dates and for the periods presented in the reports;

- c. I have evaluated the effectiveness of internal control over financial reporting and disclosure, and have presented in this report the conclusions of the Board of Directors and management in respect of the effectiveness of internal control, as stated above, as of the Report Date.

Nothing in the aforesaid derogates from my responsibility or from the responsibility of any other person under the law.

\_\_\_\_\_  
March 5, 2024

\_\_\_\_\_  
Signature  
Asa Levinger,  
CEO

(b) Declaration of the most senior finance corporate officer according to Regulation 9B(d)(2)

**Declaration of the most senior finance corporate officer**

I, Tanya Friedman, declare that:

1. I have reviewed the Financial Statements and the other financial reports which is included in the reports of Energix Renewable Energies Ltd. (hereinafter: the "**Entity**") for 2023 (hereinafter: the "**Reports**");
2. Based on my knowledge, the Financial Statements and the other financial information which is included in the reports do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading in respect of the period covered by the reports;
3. Based on my knowledge, the Financial Statements and other financial information included in the reports, fairly present in all material respects, the financial position, results of operations and cash flows of the Corporation as of the dates and for the periods presented in the reports.
4. I have disclosed, based on my most recent evaluation regarding internal control over financial reporting and disclosure, to the Corporation's Auditors, Board of Directors, and Audit and Financial Statements Review Committees:
  - a. I have not become aware of the occurrence of any event or matter during the period between the date of the last report (quarterly or periodic, as applicable) and the date of this report, that could change the conclusion of the Board of Directors and management regarding the effectiveness of internal control over financial reporting and disclosure of the entity.
  - b. Nothing in the aforesaid derogates from my responsibility or from the responsibility of any other person under the law. \_\_\_\_\_
5. I, alone or together with others in the Corporation:
  - a. I have designed such controls and procedures, or caused such controls and procedures to be designed under my supervision, to ensure that material information relating to the Corporation, including its consolidated corporations within their meaning in the Securities Regulations (Annual Financial Statements) – 2010, insofar as it is relevant to the Financial Statements and to the other financial information which is included in the reports, is made known to me by others in the Corporation and within those consolidated corporations, particularly during the period in which the reports are being prepared; and -
  - b. Based on my knowledge, the interim financial statements and the other financial information which is included in the interim reports do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the

circumstances under which such statements were made, not misleading in respect of the period covered by the reports; Based on my knowledge, the interim financial statements and other financial information included in the interim reports fairly represent, in all material respects, the financial position, results of operations and cash flows of the Corporation as of the dates and for the periods presented in the reports;

- c. I have evaluated the effectiveness of internal control over financial reporting and disclosure, insofar as it refers to the Financial Statements and to the other financial information which is included in the reports, as of the Reporting Date; My conclusions in respect of my aforementioned assessment were presented to the Board of Directors and management, and are included in this report.

Nothing in the aforesaid derogates from my responsibility or from the responsibility of any other person under the law.

\_\_\_\_\_  
March 5, 2024

\_\_\_\_\_  
Signature  
Tanya Friedman, CFO

Corporate Governance Questionnaire<sup>1</sup>

Independence of the Board of Directors		Correct	Incorrect
1.	<p>In each reporting year, two or more external Board members served in the Corporation.</p> <p>This question can be answered "Correct" if the time period during which two external Board members did not serve does not exceed 90 days, as specified in Section 363a.(b)(10) of the Corporate Act. However, in any response (Correct / Incorrect), the time period must be specified (in days) during which two or more external Board members did not serve in the Corporation during the reporting year (including also a tenure period which was approved retroactively, through separation between the various external Board members);</p> <p>Board member A: Linda Ben Shushan.</p> <p>Board member B: Alona Shefer (Caro), whose term in office expired on August 1, 2023 and Einat Tzafirir, whose term in office started on said date.</p> <p>Number of external Board members serving in the Corporation as of the publication date of this questionnaire: 2.</p>	V	
2.	<p>Rate<sup>2</sup> of independent Board members<sup>3</sup> serving in the Corporation as of the publication date of this questionnaire: 4/7.</p> <p>Rate of independent directors as determined in the Corporation's articles of association<sup>45</sup>: _____.</p> <p>N/A (No provision has been established in the articles of association).☒</p>	_____	_____

<sup>1</sup>Published within the framework of proposed legislation regarding the improvement of the reports, on March 16, 2014.

<sup>2</sup>In this questionnaire, "rate" means a certain number out of the total. For example, 3/8.

<sup>3</sup>Including "external Board members", as defined in the Corporate Act.

<sup>4</sup>In respect of this question – "articles of association", including in accordance with a specific provision of the law which applies to the Corporation (for example, in a banking corporation – directives of the Commissioner of Banks).

<sup>5</sup>A bond company is not required to comply with this section.

Independence of the Board of Directors			
		Correct	Incorrect
3.	During the reporting year, an evaluation was conducted with the during the external Board members (and the independent Board members), and it was found that they fulfilled, During the reporting year, the provisions of section 240(b) and (f) of the Corporate Act, regarding the absence of any connection between the outside (and independent) directors serving in the Corporation, and that all of the required conditions for tenure as an outside (or independent) Board member have been met.	V [a]	
4.	All of the directors who served in the Corporation during the reporting year are not subordinate to <sup>6</sup> the CEO, directly or indirectly (excluding a Board member who is a representative of employees, if an employees representation exists in the Corporation).  If your answer is "Incorrect" (i.e., the Board member is subordinate to the CEO, as aforesaid) – specify the rate of directors who did not fulfill the aforementioned restriction: _____.	V	
5.	All of the directors who announced the existence of their personal interest in the approval of a transaction on the agenda of the meeting were not present in the discussion, and did not participate in the aforementioned vote (excluding the discussion and/or vote in the circumstances specified in Section 278(b) of the Corporate Act):  If your answer is "Incorrect" -  Was it for the sake of their presentation of a certain issue, in accordance with the provisions at the end of section 278(a):  <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No (Mark X in the appropriate box).  Specify the rate of meetings in which the aforementioned directors were present in the discussion and/or participated in the vote, except in the circumstances specified in subsection A: 0.		V [b]

<sup>6</sup>In respect of this question – the very fact of tenure as a Board member in an investee corporation which is under the control of the Corporation will not be considered "subordinacy", while on the other hand, the tenure of a Board member in the Corporation who serves as a corporate officer (other than a Board member) and/or an employee of an investee corporation which is under the control of the Corporation will be considered "subordinacy" for the purpose of this question.

Independence of the Board of Directors		
	Correct	Incorrect
<p>6. The controlling shareholder (including his relative and/or any other party on his behalf) who is not a Board member or another corporate officer in the Corporation, was not present in the meetings of the Board of Directors which were held during the reporting year.</p> <p>If your answer is "Incorrect" (i.e., the controlling shareholder and/or his relative and/or any other party on his behalf who is not a Board member and/or another corporate officer in the Corporation, was present in the aforementioned meetings of the Board of Directors) – Specify the following details in respect of the presence of any additional person in the aforementioned meetings of the Board of Directors:</p> <p>Role with the corporation (if any):</p> <p>Details of affinity with the controlling shareholder (if the person attending is not the actual controlling shareholder):</p> <p>Was it for the sake of his presentation of a certain issue: <input type="checkbox"/>Yes <input type="checkbox"/>No (Mark X in the appropriate box).</p> <p>Attendance rate<sup>7</sup> in the meetings of the Board of Directors which were held during the reporting year, for the sake of their presentation of a certain issue:</p> <p>Other attendance:</p> <p><input type="checkbox"/>N/A (the Corporation has no controlling shareholder).</p>	<p>V</p>	

<sup>7</sup>Including a separation between the controlling shareholder, his relative and/or any other party on his behalf.

Qualifications and skills of the directors		Correct	Incorrect
7.	<p>The Corporation's articles of association do not include any provision which restricts the possibility of immediately terminating the tenure of all directors in the Corporation who are not external Board members (for this purpose – a determination through an ordinary majority is not considered to be a restriction)<sup>8</sup>.</p> <p>If your answer is "incorrect" (i.e., a restriction of this kind does exist), specify –</p>	V	
	a. The period of time determined in the articles of association for the tenure of a director: _____.	_____	_____
	b. The required majority which was determined in the articles of association for the conclusion of the Board member tenure: _____.	_____	_____
	c. The quorum which was determined in the articles of association in the general meeting, in order to terminate the Board member tenure: _____.	_____	_____
	d. Majority required to amend these provisions of the articles of association: _____.	_____	_____
8.	<p>The Corporation has ensured to prepare a training program for new directors, in the field of the Corporation's business, and in the field of law which applies to the Corporation and the directors, and has also ensured to prepare a continuing program to train serving directors, which is adapted, inter alia, to the position which the Board member corporation holds in the Corporation.</p> <p>If your answer is "Correct" – specify whether the program was implemented during the reporting year: <input checked="" type="checkbox"/>Yes <input type="checkbox"/>No (Mark X in the appropriate box).</p>	V	

<sup>8</sup>A bond company is not required to comply with this section.

Qualifications and skills of the directors			Correct	Incorrect
9.	a.	<p>The Corporation has established the minimum number of directors required in the Board of Directors who are required to have accounting and financial expertise.</p> <p>If your answer is “Correct”, specify the minimum number established: 2.</p>	V	
	b.	<p>Number of directors who served in the Corporation during the reporting year:</p> <p>With accounting and financial expertise:<sup>9</sup>7.</p> <p>With professional qualifications<sup>10</sup>: 0.</p> <p>If changes were made to the number of said directors in the reporting year, the figure including the lowest number will be given (excluding within the time period of 60 days from the occurrence of the change) of directors of any type who served during the reporting year.</p>	_____	_____
10.	a.	<p>During the entire reporting year, the composition of the Board of Directors included members of both genders.</p> <p>If your answer is “Incorrect” – Specify the period of time (in days) during which the aforementioned condition was not fulfilled: _____.</p> <p>In this question, one can answer ‘Correct’ if the period of time in which directors of both genders did not serve does not exceed 60 days, but in either answer (Correct/Incorrect), Note the period of time (in days) in which directors of both genders did not serve in the Corporation: 0.</p>	V	

<sup>9</sup>Following the Board of Board member evaluation, in accordance with the provisions of the Companies Regulations (Conditions and Tests for Directors with Accounting and Financial Expertise and for Directors with Professional Qualifications) – 2005.

<sup>10</sup>See footNote 9.

Qualifications and skills of the directors			Correct	Incorrect
	b.	Number of directors of all genders serving in the Corporation's Board of Directors as of the date of publication of this questionnaire:  Men: 4, Women: 3.	_____	_____

Board of Directors meetings (and convention of general meeting)							Correct	Incorrect
11.	a.	Number of Board of Directors meetings held during each quarter of the reported year: 10 in total  Q1 (2023): 1.  Q2: 3.  Q3: 5.  Q4: 1.					_____	_____
	b.	Alongside the name of each Board member who served in the Corporation during the reporting year, specify their rate of participation <sup>11</sup> in Board of Directors meetings (in this sub-section – including meetings of Board of Directors committees in which the Board member was a member, as Noted below) that convened during the reporting year (and in respect of the director’s term):					_____	_____
		Board member name	Participation rate in meetings of the <b>Board of Directors</b>	Participation rate in meetings of the <b>Remuneration and Audit Committee</b> <sup>12</sup>	Participation rate in meetings of the <b>Financial Statements Review Committee</b> <sup>13</sup>	Participation rate in meetings of <b>additional Board of Directors committees of which they are a member</b> (specify the committee name)		
		Nathan Hetz	10/10	_____	_____	_____		

<sup>11</sup>See footnote 2.

<sup>12</sup>In respect of Board member who is a member of this committee.

<sup>13</sup>In respect of Board member who is a member of this committee.

Board of Directors meetings (and convention of general meeting)

						Correct	Incorrect	
		Aviram Wertheim	9/10	—	—			
		Oren Frankel	10/10	—	—			
		Orna Hozman-Bechor	10/10	6/6	4/4			
		Linda Ben Shushan	9/10	6/6	4/4			
		Meir Shani	9/10	6/6	4/4			
		Einat Tzafrir <sup>14</sup>	3/10	3/6	2/4			
12.		During the reporting year, the Board of Directors held at least one discussion on the management of the Corporation's business affairs by the CEO and his subordinate corporate officers, in their absence, after they were given the opportunity to express their position.					V	

<sup>14</sup>Einat Tzafrir became member of the Board of Directors and of the Remuneration, Audit and Financial Statements Review Committees on August 1, 2023.

Separation of roles between the CEO and of the Chairman of the Board of Directors		Correct	Incorrect
13.	<p>A Chairman of the Board of Directors served throughout the entire reporting year.</p> <p>Regarding this question, one may answer 'Correct' if the period of time in which a Chairman of the Board did not serve does not exceed 60 days, as specified in Section 363a.2 of the Corporate Act, however, in either answer (Correct/Incorrect), specify the period of time (in days) in which a Chairman of the Board did not serve in the Corporation: 0 days.</p>	v	
14.	<p>A Chief Executive Corporate officer served throughout the entire reporting year.</p> <p>Regarding this question, one may answer 'Correct' if the period of time in which a CEO did not serve does not exceed 90 days, as specified in Section 363a(6) of the Corporate Act, however, in either answer (Correct/Incorrect), specify the period of time (in days) in which a CEO did not serve in the Corporation: 0 days.</p>	v	
15.	<p>In a corporation in which a Chairman of the Board of Directors also serves as CEO of the Corporation, and/or wields his authorities, said dual capacity is approved according to the provisions of section 121(c) of the Corporate Act.<sup>15</sup></p> <p><input checked="" type="checkbox"/> Not relevant (as long as no dual capacity exists in the Corporation).</p>	—	—
16.	<p>The CEO <u>is not</u> a relative of the Chairman of the Board of Directors.</p> <p>If your answer is "Incorrect" (i.e., the CEO is a relative of the Chairman of the Board of Directors) –</p>	v	

<sup>15</sup>In a bond company – approval in accordance with section 121(d) of the Corporate Act.

Separation of roles between the CEO and of the Chairman of the Board of Directors			Correct	Incorrect
.1	a.	Specify the familial relationship between the parties: _____.	_____	_____
	b.	The tenure was approved according to section 121(c) of the Corporate Act <sup>16</sup> : <input type="checkbox"/> Yes <input type="checkbox"/> No (Mark X in the appropriate box)	_____	_____
17.	The controlling shareholder or his relative <u>does not</u> serve as CEO or as corporate officer in the Corporation, except as Board member. <input type="checkbox"/> N/A (the Corporation has no controlling shareholder).		V	

Audit Committee			Correct	Incorrect
18.	In the Audit Committee, the following <u>did not serve</u> during the reporting year –		_____	_____
	a.	The controlling shareholder or his relative. <input type="checkbox"/> N/A (the Corporation has no controlling shareholder).	V	

<sup>16</sup>In a bond company – approval in accordance with section 121(d) of the Corporate Act.

Audit Committee			Correct	Incorrect
	b.	Chairman of the Board.	V	
	c.	A Board member who is employed by the Corporation or by the controlling shareholder of the Corporation, or by a corporation under his control.	V	
	d.	A Board member who provides to the Corporation or to the controlling shareholder of the Corporation or of a corporation under his control services on a routine basis.	V	
	e.	Board member whose livelihood depends mostly on the controlling shareholder. <input type="checkbox"/> N/A (the Corporation has no controlling shareholder).	V	
19.	Anyone who is not entitled to be a member of the Audit Committee, including the controlling shareholder or his relative, was not present during the reporting year at Audit Committee meetings, except in accordance with the provisions of section 115(e) of the Corporate Act.		V	
20.	<p>The quorum required to discuss and make decisions in every meeting of the Audit Committee which took place during the reporting year was a majority of Committee members, with the majority present being independent directors, at least one of whom was an outside director.</p> <p>If your answer is “Incorrect” – specify the rate of meetings in which the aforementioned requirement was not fulfilled: _____.</p>		V	
21.	The Audit Committee held, during the reporting year, at least one meeting in the presence of the Internal Auditor and Auditor, and			

Audit Committee			
		Correct	Incorrect
	without the presence of corporate officers in the Corporation who are not Committee members, in respect of deficiencies in the Corporation's business management.	V	
22.	All Audit Committee meetings attended by a party who is not entitled to be a Committee member were convened with the approval of the Committee Chairperson and/or at the request of the Committee (concerning the legal counsel and Corporation secretary who is not a controlling shareholder or their relative).	V	
23.	In the reporting year, regulations were in effect which were set forth by the Audit Committee in respect of the handling of complaints by employees of the Corporation, in connection with deficiencies in the management of its business affairs, and regarding the protection which will be given to employees who have complained, as stated above.	V	
24.	The Audit Committee (and/or the Financial Statements Review Committee) is satisfactorily convinced that the Auditor's scope of work and professional fees in respect of the Financial Statements during the reporting year are adequate to perform satisfactory audit and review work.	V	

			Correct	Incorrect
25.	a.	Specify the period of time (in days) established by the Board of Directors as a reasonable period for submitting the committee’s recommendations in advance of the Board of Board member discussions regarding the approval of the Financial Statements (annual and quarterly): 48 hours.	_____	_____
	b.	Actual number of days that have passed from the date of submission of the recommendations to the Board of Directors until the date of the Board of Board member discussion regarding the approval of the Financial Statements:  Q1 report (2023): 5.  Q2 report: 4.  Q3 report: 3.  Annual report: 3.	_____	_____
	c.	Number of days that have passed from the date of submission of the draft financial statements to the Board of Directors until the date of the Board of Board member discussion regarding the approval of the Financial Statements:  Q1 report (2023): 5.  Q2 report: 2.  Q3 report: 3.  Annual report: 3.		

Responsibilities of the Financial Statements Review Committee (hereinafter: the “Committee”) in its preliminary work before the approval of the Financial Statements.

		Correct	Incorrect
26.	The Auditor of the Corporation was invited to participate in all meetings of the Committee and Board of Directors, in which were discussed the Financial Statements of the Corporation pertaining to the periods included in the reporting year. If your answer is “Incorrect”, specify their participation rate: _____	V	
27.	During the entire reporting year until the publication of the annual report, the Committee met all of the conditions listed below:	_____	_____
	a. The number of members will not be less than three (on the said date of the Committee's discussion and approval of statements).	V	
	b. All of the conditions set forth in Section 115(b) and (c) of the Corporate Act (concerning the tenure of Audit Committee members) were fulfilled.	V	
	c. The Chairman of the Audit Committee is an outside director.	V	
	d. All of its members are directors and the majority of its members are independent directors.	V	
	e. All of its members have the ability to read and understand financial statements, and at least one of the independent directors has accounting and financial expertise.	V	
	f. The Committee members approved the appointments.	V	
	g. The quorum required for discussion and for the passing of resolutions in the Committee is a majority of its members,	V	

Responsibilities of the Financial Statements Review Committee (hereinafter: the “Committee”) in its preliminary work before the approval of the Financial Statements.

		Correct	Incorrect
	provided that the majority of those present are independent directors, including at least one outside director.		
	If your answer is “Incorrect” concerning one or more of the subsections of this question, specify in respect of which (periodic/quarterly) report the aforementioned condition was not fulfilled, and the unfulfilled condition: _____.	_____	_____

## Corporate Governance Questionnaire

		Correct	Incorrect
28.	The committee appointed, during the reporting year, at least three members, of which the external Board members constituted a majority (on the date of the committee's discussion). <input type="checkbox"/> N/A (no discussion was held).	V	
29.	The terms of tenure and employment of all members of the Remuneration Committee in the reporting year are in accordance with the Companies Regulations (Rules Regarding Remuneration and Expenses of Outside Director) – 2000.	V	
30.	The following persons did not serve on the Remuneration Committee during the reporting year –	_____	_____
a.	The controlling shareholder or his relative. <input type="checkbox"/> N/A (the Corporation has no controlling shareholder).	V	
b.	Chairman of the Board.	V	
c.	A Board member who is employed by the Corporation or by the controlling shareholder of the Corporation, or by a corporation under his control.	V	
d.	A Board member who provides to the Corporation or to the controlling shareholder of the Corporation or of a corporation under his control services on a routine basis.	V	
e.	A Board member whose livelihood is primarily dependent on the controlling shareholder. <input type="checkbox"/> N/A (the Corporation has no controlling shareholder).	V	

Remuneration Committee			
		Correct	Incorrect
31.	The controlling shareholder or his relative did not attend, during the reporting year, meetings of the Remuneration Committee, save if the Committee Chairman determined that the attendance of any of them is required, for the purpose of the presentation of a certain issue.	V	
32.	<p>The Remuneration Committee and the Board of Directors have not exercised their authority under sections 267a(c), 272(c)(3) and 272(c1)(1)(c) to approve a authorization or remuneration policy, despite the objection of the general meeting.</p> <p>If your answer is “Incorrect”, specify:</p> <p>Type of transaction which was approved, as stated above: _____</p> <p>Number of times when their authority was exercised during the reporting year: _____</p>	V	

Internal Auditor			
		Correct	Incorrect
33.	The Chairman of the Board or the CEO of the Corporation is the organizational supervisor of the Internal Auditor in the Corporation.	V	

Internal Auditor		Correct	Incorrect
34.	<p>The Chairman of the Board or the Audit Committee have approved the work plan in the reporting year.</p> <p>Also list the topic issues covered by the Internal Auditor in the reported year: interested party transactions, human resource management, monitoring of deficiency repairs and implementation of recommendations in report on cyber security in ICS/IT, construction of Yasif project.</p>	V	
35.	<p>Scope of Internal Auditor's employment in the Corporation during the reporting year (in hours<sup>17</sup>): 450.</p>	—	—
	<p>In the reporting year, a discussion was held (by the Audit Committee or the Board of Directors) regarding the Internal Auditor's findings.</p>	V	
36.	<p>The Internal Auditor is not an interested party in the Corporation, nor are any of his relatives, auditors or any other party on his behalf, and there are no material business relations with the Corporation, the controlling shareholder, any of his relatives, or any corporations under their control.</p>	V	

<sup>17</sup>Including work hours which were spent in investee companies and in auditing outside of Israel, as applicable.

Transactions with interested parties		Correct	Incorrect
37.	<p>The controlling shareholder or his relative (including a company under his control) is not employed by the Corporation or provides it with management services.</p> <p>If your answer is “Incorrect” (i.e., the controlling shareholder or his relative is employed by the Corporation or provides it with management services), specify –</p> <ul style="list-style-type: none"> <li>- Number of relatives (including the controlling shareholder) who are employed by the Corporation (including companies under their control and/or through management companies): 3</li> <li>- Have the aforementioned employment and/or management service agreements been approved by the organs prescribed by law:</li> </ul> <p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>(Mark X in the appropriate box)</p> <p><input type="checkbox"/> N/A (the Corporation has no controlling shareholder). _____.</p>		V [c]
38.	<p>To the best of the Corporation’s knowledge, the controlling shareholder does not have other businesses in the Corporation’s area of operations (in one or more areas)</p> <p>If your answer is “Incorrect” – Note whether an regulation to delimit the activities between the Corporation and its</p>		

Transactions with interested parties		Correct	Incorrect
	controlling shareholder was established: <input type="checkbox"/> Yes <input type="checkbox"/> No (Mark X in the appropriate box) <input type="checkbox"/> N/A (the Corporation has no controlling shareholder).	V	

[a] In respect of question 3, it is noted that this evaluation was conducted immediately after the end of the reporting year, in respect of the reporting year.

[b] In respect of question 5, it should be noted that the Company instructed the Board members that before commencing the discussion in the Board meeting, each will disclose their personal interest, if any, and insofar as the matter is relevant in light of the circumstances.

[c] As reported above, the Company has a management agreement with the controlling shareholder, by virtue of which services are given to the Company by officers and employees of Alony Hetz, and three of the Company Board members are officers from Alony Hetz. The engagement was approved in accordance with the provisions of section 275 of the Corporate Act – 1999.

Chairman of the Board of Directors: \_\_\_\_\_ Chairman of the Audit Committee: \_\_\_\_\_ Chairman of the Financial Statements Review Committee: \_\_\_\_\_