

# אנרג'יקס אנרגיות מתחדשות בע"מ

## 2022 Periodic Report

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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, 2022 (the "**Reporting Date**" and the "**Reporting Period**"), which includes a description of the Company and of the development of its business affairs during the Reporting Period and until February 26, 2023, the Approval Date of the Financial Statements (the "**Approval Date of the Report**").

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 initiation, 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 photovoltaic technology (the "Photovoltaic Segment") -

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

<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 Reporting Date, Alony Hetz is a company without a control core. For additional details, see Regulation 21A in Part D of the Report - Additional Details.

For details regarding the Company's activity in the Photovoltaic 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 initiation, development, construction, financing, management and operation of wind farms for the production of electricity, with the aim of holding them as owner over the long term. As of the Approval Date of the Report, the Company has activities in the Wind Energy Segment which are wholly owned and owned jointly with partners in Israel and in Poland.

For details 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 Activity for the storage of electricity (the "Storage Segment") -**

The Company is engaged in initiation 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 Approval Date of the Report, the Company had initiated projects in the Storage Segment in Israel, in the United States and in Poland with a total capacity of 7GWh.

For details regarding the Company's activity in the Storage Segment, and for details regarding the systems in initiation stages which it owns, see Section 7.3 below.

**1.4 Total capacity of the Company's systems -**

As part of the Company's overall activities in Israel, the United States and Poland, the total capacity of its systems amounts to a total of 855MW in commercially active projects, approximately 680MWp in projects under construction and in pre-construction, approximately 695MW in projects in advanced stages of initiation, approximately 6.3GW in projects in the initiation stage<sup>3</sup>, and approximately 7GWh in projects in the Storage Segment.

**For quantitative data regarding commercially active systems; partially completed and/or partially connected projects; systems under construction; the Company's initiation activities; and estimated forecasts in respect of the Photovoltaic Segment, Wind Energy Segment and Storage Segment, see Section 3.1 in Part B of the Report - Board of Directors' Report.**

The Company also routinely evaluates possibilities for entry into additional operating segments, or operating segments which offer synergies with its existing operating segments.

<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 stages of initiation** 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 initiation stages which have won a guaranteed tariff; **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. **The series of mature projects** includes commercially active projects, partially completed and/or partially connected projects, projects under construction and in pre-construction, and projects in advanced stages of initiation.

### 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 photovoltaic energy and wind energy, 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 also believes that the Energy Storage Segment will constitute a central component of the renewable energies market in the coming years, both as supplementary products and as standalone storage facilities, and accordingly, the Company is working on the initiation, development and construction of storage facilities.

**The Company's activities include the initiation, 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.**

On the project initiation 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 initiation stage onwards allows the Company to enjoy excess returns from the projects it builds. 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, electrical-engineering planning of the projects, and obtaining the regulatory and statutory permits and licenses which are required for the construction of each project. Additionally, in the United States the Company has created, and is still working 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.

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 Photovoltaic 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 United States, the financing structure involves engagement with a financial institution to provide back leverage financing for the construction period on a non-recourse basis, in addition to the receipt of financing from the Tax Partner (ITC), which together bring the project finance rate to a level of approximately 85%.

As the Company matures and becomes more professional in its field of activity, the Company has adopted 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. As part of the above, the Company has built an independent, high-quality initiation infrastructure in each of its 3 operating territories, while developing expertise in the initiation, development and planning stages. Additionally, for the purpose of promoting the activity of building and operating projects in the Photovoltaic Segment, the Company formed a local contractor branch with independent engineering, purchasing and construction units in Israel, Poland and the United States, 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 initiation 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 of operating segments** - Photovoltaic solar, wind energy and electricity storage;
- B. **Focus of 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 stages of initiation, 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 Vestas, First Solar, Morgan Stanley, and financial institutions in Israel and around the world. Strategic and long term collaborations of this kind, in which the Company usually engages, ensure the continuity of supply of the equipment which is required for the Company's orderly activity, while also maintaining price levels and advance preparation, thereby increasing the Company's stability vis-à-vis global trends of supply chain disruptions or exposure to increases in equipment and shipping costs, where relevant.

**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.

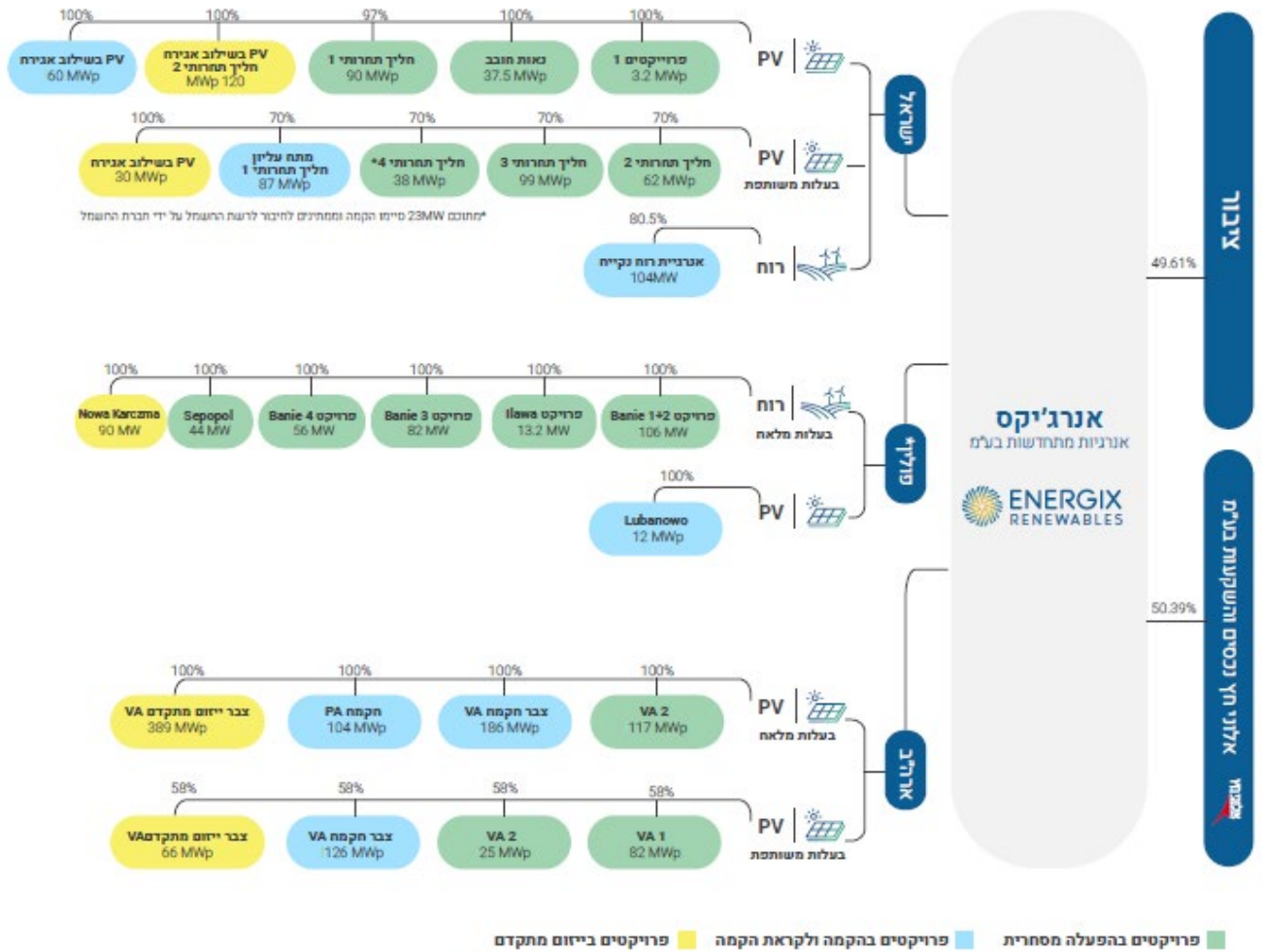
For additional details, see Section 2.7 in Part B of the Report - Board of Directors' Report.

**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 Approval Date of the Report, 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**

Presented below is a diagram of the Company's primary holdings as of the Approval Date of the Report:



\* באמצעות מבנה החזקות בינלאומי \* פרויקטים בבעלות משותפת, חלקה על החברה בתנאים שדול משיעור האחזקות שלה

Alony Hetz Properties & Investments Ltd. – 50.39%				Public – 49.61%		
Energix – Renewable Energies Ltd.						
USA		Poland *		Israel		
Jointly owned PV	Wholly owned PV	PV	Wholly owned wind	Wind	Jointly owned PV	PV
58% - VA 1 - 82 MWp	100% - VA 2 - 117 MWp	100% - Lubanowo – 12 MWp	100% - Banie project stages 1+2 - 106 MWp	80.5% - Clean wind energy - 104 MWp	70% - Competitive process 2 - 62 MWp	100% - Projects 1 - 3.2 MWp
58% - VA 2 - 25 MWp	100% - VA projects under construction – 186 MWp		100% - Hawa project - 13.2 MWp		70% - Competitive process 3 – 99 MWp	100% - Neot Hovav – 37.5 MWp
58% - VA projects under construction - 126 MWp	100% - PA projects under construction – 104 MWp		100% - Banie 3 project - 82 MWp		70% - Competitive process 4* - 38 MWp	97% - Competitive process 1 - 90 MWp
58% - VA projects in advanced initiation – 66 MWp	100% - VA projects in advanced initiation – 389 MWp		100% - Banie 4 project - 56 MWp		70% - Ultra-high voltage competitive process 1 - 87 MWp	100% - PV with integrated storage, competitive process 2 – 120 MWp
			100% - Sepopol - 44 MWp		100% - PV with integrated storage – 30 MWp	100% - PV with integrated storage – 60 MWp
			100% - Nowa Karczma - 90 MWp			
Commercially active projects				* Including 23 MW whose construction has concluded and which are pending grid connection by the IEC		
Projects under construction and in pre-construction						
Projects in advanced stages of initiation						
* Through an international holding structure				* Jointly owned project, the Company's share in cash flows is greater than its stake		

(\*) 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 additional details, see Section 3.1 in Part B of the Report - Board of Directors' Report, and Note 9 in Part C of the Report - Financial Statements.

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

For details in connection with 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)
8.3.2021	Around 19	4
10.5.2021	Around 19	4
12.8.2021	Around 24	5
7.11.2021	Around 24	5
10.3.2022	Around 26	5
18.5.2022	Around 26	5
10.8.2022	Around 26	5
14.11.2022	Around 27	5

The balance of distributable earnings as of December 31, 2022, was NIS 234.7 million.

**4.2. Adoption of multi-year dividend policy and dividend for 2023:**

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 which 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.

As part of the above, on February 26, 2023, the Board of Directors resolved to determine that the dividend for 2023 will be in the total amount of 28 agorot per share, a total of 7 agorot 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 2022, the Company's Board of Directors will distribute an additional dividend in respect of 2022, which will be paid together with the dividend for Q1 of 2023, in the amount of 18 agorot per share, whereby the total dividend amount for the first quarter will amount to a total of 25 agorot per share.

In accordance with the above, the Company announced a dividend distribution for the first quarter of 2023 in the amount of 25 agorot per share (approximately NIS 137 million in total), which will be paid in March 2023. For additional details, see the immediate report which is published in parallel with this report.

#### 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: the "**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 details 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 additional details 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 Reporting Period, the Company had income from the Photovoltaic Segment in Israel and in the United States, and from the Wind Energy Segment in Poland. The expenses reflect amounts which are attributed to the Photovoltaic Segment in Israel, in Poland and in the United States, and to the Wind Energy Segment in Israel and in Poland. For details 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 Photovoltaic Segment and in the Wind Energy Segment, see Section 3 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 General:**

In light of the growing recognition of the consequences of climate change, and efforts to reduce 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 arrangements for the sale of electricity from such sources. As of the Reporting Date, more than 150 countries around the world are promoting policies to support the production the Reporting 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 United States<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 approximately USD 195 trillion is required until 2050<sup>7</sup>.

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<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 2022 – Global Status Report (REN21).

<sup>6</sup> New Energy Outlook 2020 - BNEF.

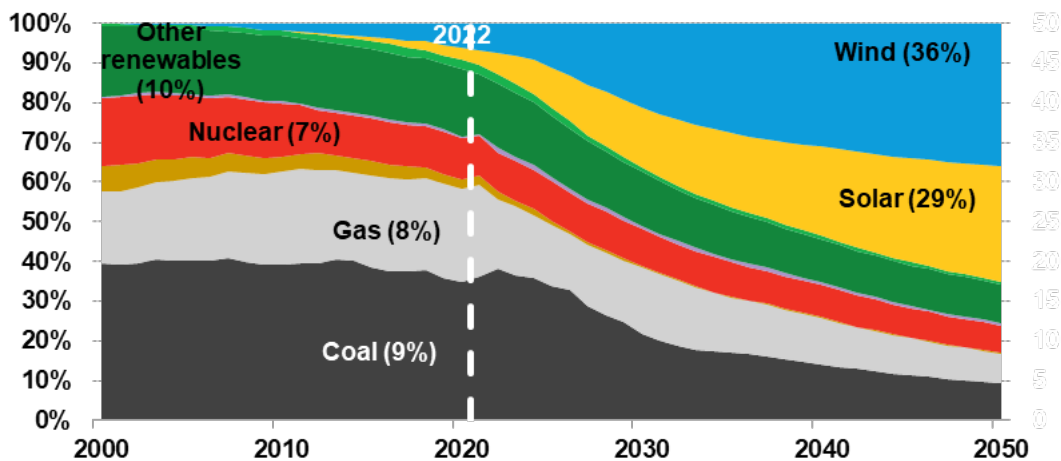
<sup>7</sup> New Energy Outlook 2020 - BNEF

Over time a trend is emerging of international mega-corporations, such as Apple, Meta, Google, Microsoft, and others, setting for themselves targets of 100% clean energy consumption by 2050, as part of the RE100 initiative<sup>8</sup>. As of the Reporting Date, over 390 corporations have joined the initiative, with the total demand for electricity from renewable sources, of all corporations participating in the initiative, amounting to an unprecedented total of over 485TWh.

Accordingly, the investment around the world in the transition to energy sources emitting low amounts of CO<sup>2</sup> is on an uptrend: in 2022, over USD 1.11 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 approximately 33% 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 495 billion<sup>9</sup>.

It is noted that in light of the decrease in the cost of electricity production 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 arrangements.

Presented below is a graph demonstrating the mix of global electricity production sources in the past, and to the forecast until 2050<sup>10</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 United States, primarily the Inflation Reduction Act, the forecast for the global energy storage market increased, and the estimates for energy storage systems refer to a

<sup>8</sup> RE100 Annual Disclosure Report 2021 (January 2022).  
<sup>9</sup> Energy Transition Investment Trends, 2022 \_ Full Report \_ BloombergNEF  
<sup>10</sup> New Energy Outlook 2020 - BNEF

capacity of approximately 1.2TWh by 2030, an increase of approximately 13% relative to the prior forecast. Despite the expansion of the ITC tax benefits in the United States to standalone storage facilities as well, over half of the installations are expected to be according to a combined renewable energy+storage model, particularly with solar energy.

The accumulated knowledge and experience around the world regarding electricity storage through lithium-ion batteries, and the estimates of their dominance in the current decade over alternative electricity storage technologies, facilitate for the Company various activity channels which could be relevant, both as standalone storage projects, and as projects integrating renewable energy sources.

**6.2 During the Reporting Period and until the Approval Date of the Report, several macro-economic events occurred which also affect the Company's fields of activity:**

- (i) **Increase in electricity prices:** During the Reporting Period, the trend of increasing electricity prices in the United States and in Europe continued, although from the Reporting Date until the Approval Date of the Report, prices in the free market have moderated somewhat.

In light of the above, the Company worked on amending its power purchase agreements and engaging in new fixed price transactions in Poland and in the United States, in order to maximize its revenues from the sale of the electricity in light of the high electricity prices in Poland and in the United States. For additional details, see Section 2.3 in Part B of the Report - Board of Directors' Report, and Note 9b in Part C of the Report - Financial Statements.

- (ii) **Decision of the European Union to adopt a cap on electricity prices for EU member countries, and adoption of temporary legislation in Poland:** In light of the gas crisis, the high electricity prices in Europe, and the European Union's decision in October 2022 to adopt a cap on electricity prices which certain electricity producers may receive in EU countries, legislation was adopted in Poland which determines, in respect of the period from December 1, 2022 to December 31, 2023, that the physical sale of electricity, and beginning from March 1, 2023, also engagement in financial transactions and/or sale of GOOs certificates the engagement in which depends on the sale and/or production of physical electricity, will be subject to a price cap in the amount of: (1) PLN 345 per 1MWh produced from wind energy, and (2) PLN 405 per 1MWh produced from photovoltaic facilities<sup>11</sup>, and similar measures are being adopted by other EU countries.

In light of the above, during the Reporting Period and as of the Approval Date of the Report, the Company engaged, with the local broker to which it sells the electricity in Poland, in financial transactions regarding the unwinding of fixed price transactions in which the Company engaged in respect of the months December 2022 - December 2023, for a total consideration of approximately NIS 170 million, which, due to the nature of the transactions, are not subject to the legislation to limit electricity prices.

<sup>11</sup> On December 16, 2022, the cap on electricity prices was increased by PLN 50, relative to the original cap which was published - PLN 295 per 1MWh produced from wind energy, and PLN 355 per 1MWh produced from photovoltaic facilities.

Due to the legislation, during the Reporting Period the Company provided a total of 8 of its revenues towards the dedicated fund, which was created by the government of Poland, and accordingly recorded a decrease in its revenue for the period. Based on the legislative provisions, the terms of the Company's power purchase agreements and the forecasted electricity prices in Poland, as well as the unwinding transactions in which the Company engaged, the Company estimates that the total value of the decrease in the Company's revenues in 2023 due to the above amounts to a total of approximately NIS 100 million.

**On this matter, after a reduction of approximately NIS 100 million in the Company's updated revenue forecast for 2023 due to the impact of the legislation, the Company's current forecasts for 2023 are approximately NIS 195 million higher than the Company's forecasts for 2023, which were given last year.**

*For details regarding the Company's updated forecasts for 2023, see Section 3.4 in Part B of the Report - Board of Directors' Report.*

For additional details regarding the legislation and the Company's engagement with the Polish broker, see Section 6.5 below, Section 2.3 in Part B of the Report - Board of Directors' Report, and Note 9b in Part C of the Report - Financial Statements.

(iii) **Rising inflation and interest rate hikes** - Except for project finance in Israel, the Company's loans are not CPI-linked. The Company's revenues in respect of projects which are financed in Israel, and some of the projects in Poland, are linked to increases in the CPI. The Company's current financing transactions are at fixed interest, or were fixed in respect of most of the loan principal in transactions to hedge against the risk of increase in the base interest rate. The global trend of increasing price levels, inter alia due to economic and geopolitical events such as the coronavirus pandemic, the war in Ukraine, and the energy crisis, led to a sharp increase in inflation to an annual level of around 6.5% in the United States, and around 5.4% in Israel.

The increase in price levels in Poland also resulted in a sharp increase in inflation, to an annual level of around 14.4% in 2022. In light of the increase in inflation, there has also been a trend of increasing interest rates by the world's central banks. The increase of interest rates in Israel and around the world, could consequently lead to an increase in the Company's financing expenses. In Poland, in light of the increase in inflation, there has also been a trend of increasing interest rates, which are currently at an annual rate of around 7.3%. 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. 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.

(iv) **Supply chain** - Early 2022 saw an increase in equipment and shipping prices, which moderated later in the year. It is clear that the supply chain problems, as well as the hardening of American regulations which included the imposition of prohibitions on importing equipment manufactured in China and South Asia, and the resulting seizure and/or suspension of shipments, imposed various challenges on the local market in terms of the supply chain, especially panels. On all matters pertaining to the Company, it is the Company's standard practice to arrange the purchasing of the main equipment it requires for the construction of its facilities in advance, inter alia, based on the strategic collaborations it has formed with the main equipment suppliers. As part of the above, during the year the Company executed an additional transaction with First Solar, one of the world's leading panels manufacturers, to guarantee the supply of panels until 2026. The purchase of the panels allows the Company to enjoy availability of panels for future projects, which are also expected to allow the Company to meet criteria which entitle the Company to an additional tax benefit at a rate of 10%, in respect of local manufacturing. For additional details regarding the Company's collaboration with First Solar, see Section 7.1 below.

**\*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**

Due to the geopolitical crisis between Russia and Ukraine beginning in late February 2022, the Russian army has been conducting attacks in the territory of Ukraine, which is a neighboring country of Poland to the northeast. The Company has significant activity in Poland. This geopolitical situation could have short term effects on the Company's activity (for better or for worse) due to macro effects, such as increased energy prices, exchange rates and interest rates. However, the fighting in Ukraine is emphasizing the importance of energy independence and the importance of renewable energy in Poland, in light of the imposition of sanctions by some countries on the purchasing of electricity and oil from Russia.

As of the Approval Date of the Report, 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 the Company's activity constitute Forward-Looking Information, as defined in Section 1.5 above.***

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

In recent years the State of Israel joined a series of other countries around the world which are leading the trend of transition to prefer electricity production from renewable energy sources over traditional (fossil) energy sources, due to their devastating effects on the environment. This trend began showing its effects on the ground, and during the years 2018-2021 the growth rate of installed renewable energy capacity in Israel rose at an average rate of 38% per year (relative to a growth rate of around 16% from 2014 to 2017)<sup>12</sup>. As of the end of 2022, the total installed renewable energy capacity in Israel amounts to around 4.795GW, representing annual production capacity at a rate of 21.2% of total consumption in the Israeli economy. In 2022, 10.1% of total energy consumed in Israel came from renewable sources<sup>13</sup>.

The target for consumption of electricity from renewable energy sources at the end of 2025, which the government established in Decision 465, is 20% of total electricity consumption, where the which is required for required in order to meet the target is 9.6GW<sup>14</sup>. Accordingly, a series of government and regulatory 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, including:

##### **A. Publication of decisions to set targets, adoption of road maps, and adoption of arrangements**

The Ministry of Energy and the Electricity Authority are working on publishing, from time to time, arrangements by virtue of which they encourage the entrepreneurial market towards the construction of facilities for the production of electricity from renewable energy in Israel, in consideration of considerations of diversification and balancing between the mix of various energy sources, the rising demand for electricity and the electricity production infrastructure, natural resources, and various considerations which affect the construction of infrastructure.

In October 2021 the Ministry of Energy published a road map towards a low-carbon economy, which included the establishment of a target for reducing greenhouse gases from the energy segment at a rate of 80% relative to 2015, by 2050. The data also indicate that activity in the Israeli economy will require around 3.5GW of energy storage by 2030. This decision constitutes the basis for the potential development and construction of photovoltaic projects with a capacity of approximately 12GW in the coming decade, and economic utility of approximately NIS 8 billion per year. Further to this road map, in 2023 the Authority is expected to announce the first process for storage facilities on the transmission (ultra-high voltage) grid, and to publish competitive processes for the construction of storage facilities on the distribution (high voltage) grid<sup>15</sup>.

<sup>12</sup> Status report - renewable energy targets in the electricity sector, March 2022.

<sup>13</sup> Status report regarding renewable energy in the electricity sector, year 2022.

<sup>14</sup> 2021 report regarding the electricity sector, published by the Electricity Authority, July 2022.

<sup>15</sup> Ministry of Energy, Road Map Towards a Low-Carbon Energy Sector by 2050, October 2021.

In May 2022, the Ministry of Energy published the road map “to meet the energy targets for 2030”, which includes a multi-year plan of policy measures which are required by the various government ministries in order to meet the energy targets. The Electricity Authority also published a table summarizing the expected regulatory measures by 2025, including timetables for implementing the measures. The expected measures include the publication of competitive processes to establish a protective tariff for onshore facilities and dual use facilities.

The Electricity Authority also published a decision regarding the market model for production and storage facilities which are connected to or integrated with the distribution grid, according to which, beginning in 2024, producers of electricity from renewable energy sources will be entitled to associate the production facility to a private provider, which will sell directly to end consumers. The above decision is integrated with the decision to update the electricity time bands, according to which, beginning in 2023, only peak and off-peak time bands will be defined, and the peak time band will be defined as 17:00 to 22:00/23:00. This update is intended to adjust the electricity time bands and tariffs to the current consumption habits, and will accelerate the integration of storage technology which allows feeding in electricity during the nighttime hours (peak). These decisions open up the electricity sector to competition, and allow any consumer with a smart meter to purchase green energy.

**B. Opening up the provision segment to competition**

On August 5, 2020, the Electricity Authority published a decision regarding principles for opening up the provision segment in the electricity sector, to new providers and for provision to home consumers, which included establishing a quota of 400 MVA, of which 300 MVA will be allocated as a general quota to all types of consumers (the “**General Quota**”), and 100 MVA will be allocated as a dedicated quota for home consumers, over a period of two years.<sup>16</sup> A condition for operating under the arrangement is the receipt of a provider license which requires, inter alia, a guarantee in the amount of NIS 2 million towards the Electricity Authority, proof of NIS 50 million in equity, and fulfillment of the preconditions specified in the law and in the Electricity Sector Regulations. In accordance with the terms of the arrangement, the provider is entitled to associate only consumers with continuous meters, and is required to submit a daily aggregate consumption plan for its consumers. Under the arrangement, energy will be purchased by the provider directly from the system manager, and they are required to pay a grid tariff, a system tariff, a half hourly energy tariff, and a supplementary tariff.

On September 7, 2022, the Electricity Authority published a decision to fully open up the provision segment to competition. In accordance with the above decision, beginning on January 1, 2023, there will no longer be quotas, and private providers will be able to add electricity consumers without limits, except for the possibility to associate production facilities with a private provider, which will enter into effect on January 1, 2024. As of the Approval Date of the Report, there are several key market players which are interested in operating as electricity brokers / traders, and in purchasing electricity from private electricity producers.

<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)

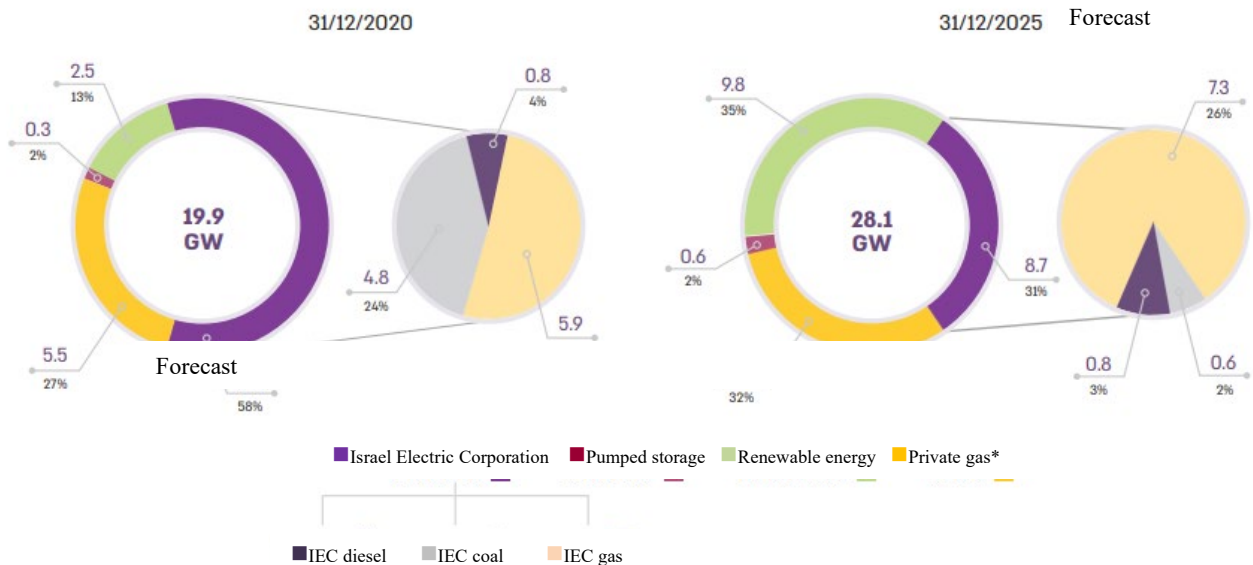
**C. Adoption of outline plans in the renewable energy sector**

Dedicated outline plans for the construction of photovoltaic facilities (national outline plan 1, which replaced national outline plan 10/D/10), and for the construction of wind turbines (national outline plan 10/D/12) have been adopted. Two additional national outline plans were recently approved (national outline plan 41 and national outline plan 10/D/10/2), pertaining to the regulation of photovoltaic facilities, which were published as amendments to national outline plan 1.

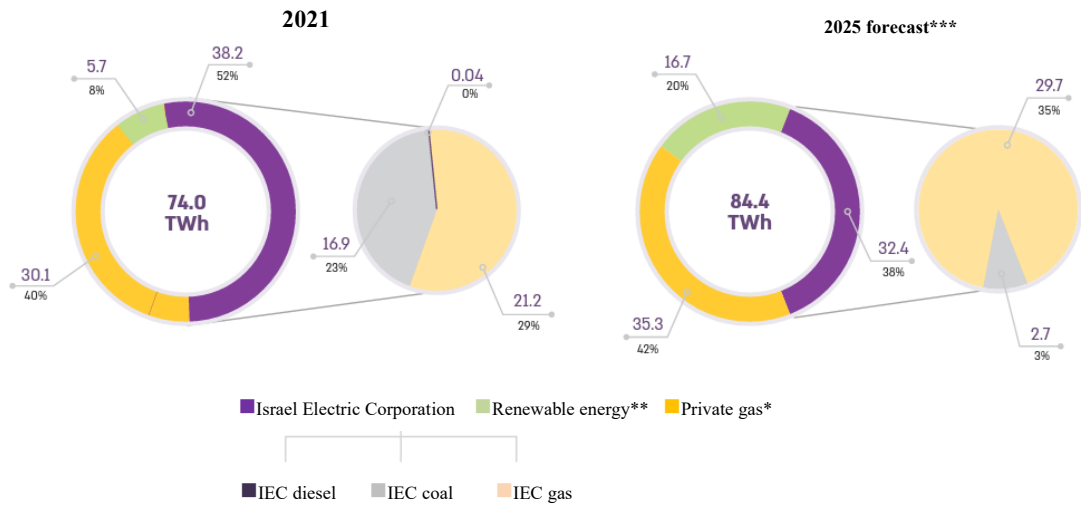
On November 6, 2022, the National Planning and Construction Council ordered the preparation of a dedicated national outline plan for the regulatory planning of agro-voltaic facilities - national outline plan 1, amendment 24, based on the following principles: establishment of promotion of agro-voltaic facilities, planning requirements and processes, environmental considerations which should be taken into account when promoting the plan, etc. Additionally, in that meeting the Council ordered that the national outline plan for energy storage facilities be submitted to the regional committees for comments, and presented to the public for objections.

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, inter alia, objections by environmental organizations and authorities against the integration of renewable energy projects, rising shipping and equipment costs due to the coronavirus crisis, and as part of the worldwide trend, and regulatory encumbrances.

**D. Presented below are the Electricity Authority’s estimates regarding energy sources in the Israeli electricity sector as of the end of 2020, and as of the end of 2025:**

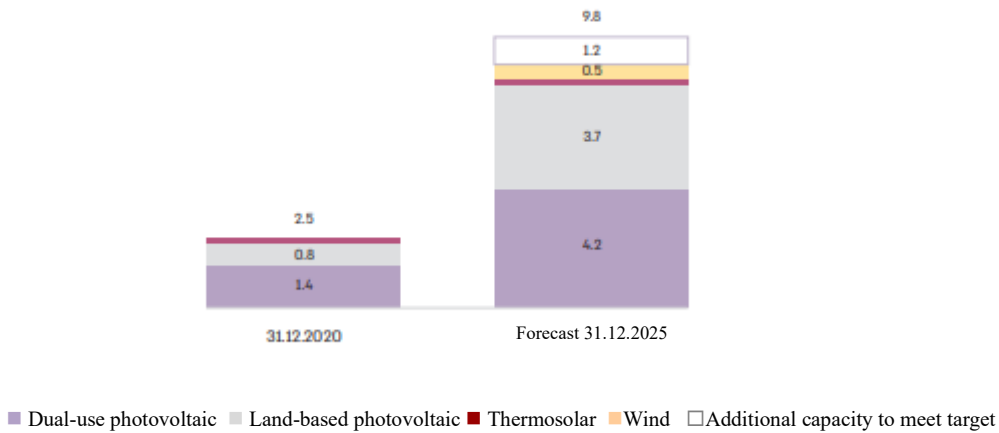


**1.2 Sectoral production (TWh)**

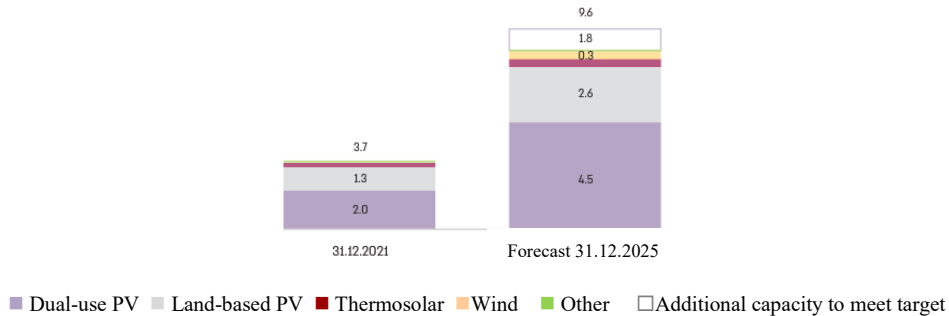


Presented below is the Electricity Authority’s projection regarding the segmentation of electricity production in the renewable energy industry:

**Installed capacity (GW) – renewable energy**



1.3 Renewable energy capacity (GW)



For additional details regarding the arrangements which are relevant to the Company’s activity in Israel in the Photovoltaic Energy Segment, in the Wind Energy Segment and in the Storage Segment, see Sections 7.1b(2), 7.2d(2) and 7.2 below. For details regarding the legislation which is relevant to the Company’s activity in the renewable energy sector, see Section 7.8 below.

**E. Power grid and limits on grid connection:**

The power grid, and the possibility of connection thereto, has for years been a major barrier in the development of the Photovoltaic Segment in Israel. As storage systems are being integrated, the possibilities of overcoming this barrier have increased; however, as of the Reporting Date, it is still a major barrier, even before the implementation of the market arrangement.

In this regard, two major documents have recently been published:

- i. On January 16, 2023, the Electricity Authority published a hearing regarding a 6 month transitional provision, in which it is proposed that the holders of distribution licenses and the System Management Company will be entitled to provide distributor responses and connection surveys which are based on projects which have not yet been approved in the development plans. However, the distributor responses and connection surveys will be conditional on the approval of the projects in the development plan, and therefore, the applicant will have to accept the risk that the approved development plan will differ from the plan which was proposed, and to approve in writing that it is aware of the possibility that the development plan will not be approved, and that the distributor’s response and connection survey which was received, may change as a result.
- ii. On January 15, 2023, the Electricity Authority published its recommendation to the Minister of Energy and Minister of Finance regarding the development plan of the transmission and transformation system by 2030, which the System Management Company had submitted to the ministers. The development plan may affect the provision of distributor responses.

## 6.5 The renewable energy market in Poland:

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 production 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 2022, the renewable energy market in Poland continued growing rapidly. At the end of 2022, the installed capacity of photovoltaic facilities in Poland amounted to approximately 10GW, and wind facilities amounted to approximately 7GW<sup>17</sup>.

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% only by 2030 (the “**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 approximately EUR 76 billion. During the Reporting 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 expanded the tenders in Poland until the end of 2027.

Concurrently, the prices of electricity and green certificates in Poland have increased significantly. The increase in electricity prices was partially due to the increase in prices in the European emissions trading system, mostly due to the dependence on Russian gas, and also due to the increase in fossil fuel prices.

The local regulator is also promoting legislative amendments which will allow expanding the activities of the renewable energy industry in Poland. Inter alia, in December 2020 the Promotion and Development of Offshore Wind Projects Act was passed.

It appears that the expansion of government plans and the announcement of future tenders will significantly increase the Photovoltaic Segment in Poland, which is expected to reach a total installed capacity of over 4GW<sup>18</sup>.

During the first three quarters of 2022, total investments in renewable energies in Poland amounted to USD 5.7 billion, as compared with USD 6.4 billion in 2021<sup>19</sup>, signifying that the growth trend of the renewable energies market in Poland has increased.

The forecast for 2023 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 Ukraine. These changes, along with the extreme heat waves in 2022, resulted in a sharp increase in electricity prices in Poland.

<sup>17</sup> Baringa Poland Wholesale Power Market Results 2022Q4.

<sup>18</sup> See footnote 12 above.

<sup>19</sup> BloombergNEF Energy Transition Investment Interactive Datasets.

**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, including, inter alia, from wind farms and photovoltaic facilities in the country. As part of the legislation which 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, as updated on December 16, 2022, in the amount of: (i) PLN 345 per 1MWh of electricity from wind energy; (ii) PLN 405 per 1MWh of electricity produced from photovoltaic facilities<sup>20</sup>. Additionally, the price cap for projects which have effectively been subject to the tariff arrangement 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>21</sup>.

It is clarified that the above legislation does not apply to the sale of electricity within the framework of financial transactions which do not involve the actual production of electricity, or to the sale of green certificates.

It is noted that since the law was initially adopted, the Polish legislator has published several updates to the law, as well as regulations, which define its scope. Additional changes may be possible.

For additional details regarding the legislative amendment in Poland and its effects on the Company and its forecasts, the amendment to the Distance Law and the re-opening of the wind energy market, the terms of the arrangement in Poland and the publication of tenders, the Company's winning of a guaranteed tariff in a tariff tender, and the Company's activity in the wind energy segment and photovoltaic segment in Poland, see Section 6.2 above and 7.2d below.

<sup>20</sup> On December 16, 2022, the cap on electricity prices was increased by PLN 50 relative to the cap which was published originally.

<sup>21</sup> In accordance with the legislative amendment dated February 2023

## 6.6 The renewable energy market in the United States:

The USA is one of the world's leading countries in the sector of electricity production 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>22</sup> The renewable energy sector in the United States is in a growth trend in general, and particularly in the Photovoltaic Segment. According to estimates, around 24GW of solar energy facilities were added in 2022, and total new wind installations in 2022 are expected to amount to over 10GW<sup>23</sup>.

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

Furthermore, 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 United States) determined that by 2050, electricity producers in the state will be required to meet a target of 100% renewable energy<sup>24</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 United States 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 approximately USD 500 billion, of which approximately 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>25</sup>. The incentives proposed in the law include:

<sup>22</sup> Sustainable Energy in America 2020 Factbook BloombergNEF

<sup>23</sup> US Clean Energy Market Outlook Q4,2022

<sup>24</sup> Virginia's Legislative System website, HB 1526 Virginia Economy Act - <https://lis.virginia.gov/cgi-bin/legp604.exe?201+sum+HB1526>

<sup>25</sup> Which will be available only to wind energy producers prior to the enactment of the IRA.

- (1) Extension of the period of entitlement to the ITC tax benefit, 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 benefit 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 benefit, instead of the need for a tax partner (tax credit transferability);
- (4) Provision of an additional tax benefit 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 United States, and which meet the determined threshold for the integration of local equipment, as stated above;
- (5) Provision of an additional tax benefit 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.

For details regarding the Company’s estimate on any matter associated with the law’s implications on the rate of the ITC tax benefit to which the Company is expected to be entitled, see Section 2.2(iv) in Part B of the Report - Board of Directors’ Report.

During the Reporting Period there has been a trend of rising prices of electricity and of green certificates in the United States, which is significantly improving the economic profitability of renewable energy projects, and the forecast regarding future projects. However, proximate to the Approval Date of the Report, a moderation in this trend was recorded.

For additional details regarding the arrangement which applies to the Company’s activity in the United States, see Section 7.1c below. For details regarding developments in the Company’s macro-economic environment which could have a significant impact on the Company in the various operating segments, see Sections 6.1 and 6.2 below. For details regarding external factors which may affect the Corporation’s activities, see Section 32 below.

#### **6.7 Impact of external factors - Israel**

During January 2023 and as of the Approval Date of the Report, the government began promoting a plan involving significant changes to the legal system in Israel, which are causing disputes and widespread criticism, and which could affect the Israeli market and economy. Since the Company has activity distributed over several markets, the Company believes that these events are not expected to significantly affect the Company or its results.

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

### **7.1 Photovoltaic Segment:**

#### **A. General**

##### **(1) Production of electricity using photovoltaic technology**

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

The main components of photovoltaic systems include: photovoltaic panels, comprised of solar modules; A fixed construction, or one built on trackers; A current transformer to transform the produced electricity from direct current (DC) to alternating current (AC); A grid connection point, and an electricity meter.

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

During the Reporting Period, the Company began working on the initiation of photovoltaic projects in Poland. As part of this process, the Company expanded its activity in the Photovoltaic Segment to its three operating territories: Israel, the United States and Poland.

For additional details regarding the Company's activity in the Photovoltaic Segment, see Section 7.1 below and Notes 3.1, 3.2 and 9 in Part C - Financial Statements.

##### **(2) Integration of storage technology in photovoltaic facilities**

PV with integrated storage refers to the ability to store the electricity which is produced through the photovoltaic 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. During the Reporting Period, the Company evaluated several storage technologies, and decided to focus on storage through lithium-ion batteries of the LEP type. The Company intends to provide capacity to store the energy which is produced in the photovoltaic panels in terms of megawatt hours (MWh), with the aim of releasing the energy to the grid in a controlled manner, and in accordance with the demands of the system manager or distributor, when such energy is required in the electricity market. Storage facilities with integrated PV allow significantly increasing the panel loading ratio relative to the connection size; in other words, to install significantly more solar 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.

**(3) The Company's activity in the Photovoltaic Segment according to the "one stop shop" model**

For additional details regarding the Company's activity in the Photovoltaic 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 photovoltaic panels.

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

**B. The Company's activity in the Photovoltaic Segment in Israel:**

In late 2022, the installed capacity of photovoltaic facilities in Israel amounted to 5GW. This capacity is expected to increase by a factor of 3.5 by 2030, when it is projected to amount to approximately 17.145GW<sup>26</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>27</sup>, are in onshore photovoltaic facilities, signifying that most of the potential for renewable energy in Israel is in photovoltaic facilities<sup>28</sup>.

**(1) General**

In order to receive an electricity production license in Israel, it is necessary to meet the conditions prescribed in the Electricity Authority's arrangement, and all of the regulatory and statutory milestones specified in the relevant arrangements.

**Transition from the feed-in tariff to competitive processes:**

During the first years of the entry of renewable energies in Israel, the Electricity Authority's arrangements were based on a feed-in-tariff mechanism. In recent years, this mechanism was replaced, and the Electricity Authority determined several competitive processes for solar systems in dual use, onshore facilities which are connected to the distribution grid, and onshore facilities which are connected to the transmission grid, and finally also processes which integrate solar energy facilities and energy storage systems.

The transition to the tender method in the Israeli solar market has facilitated the construction of the photovoltaic projects, such that, in respect of projects connected

<sup>26</sup> Draft road map for renewable energies in 2030

<sup>27</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 additional details, see Section 6.5d above.

<sup>28</sup> Matan Shahak, Renewable energy in Israel and issued for discussion - update, Knesset Research and Information Center, December 7, 2021.

to the distribution grid<sup>29</sup>, the entrepreneur is required to present, in the first stage, only the requested capacity and the proposed tariff in the tender, and to provide a guarantee in accordance with the tender terms. Subject to winning the tender, the entrepreneur is required to receive connection approval from the electric corporation, and to meet the final milestone for the construction and synchronization of the photovoltaic project, in the entire won capacity, within the time period determined in the arrangement.

Along with the adoption of arrangements based on competitive processes for the determination of guaranteed tariffs, intensive work has begun on the development and construction of photovoltaic systems in Israel. The scope at which tariff arrangements and new competitive arrangements have been won during the years 2020-2021 reflects an additional capacity of over 2,000 MW, as well as storage capacity with a capacity of over 3,000 MWh in the market.

In accordance with the arrangements and competitive processes which were published by the Electricity Authority on July 14, 2020 and October 1, 2020, since 2020 photovoltaic facilities are built mostly with integrated storage capacity.

#### **Ultra-high voltage - transition to competitive processes for protective tariffs -**

On September 19, 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 arrangements until 2025 indicates that additional competitive processes are expected to be published, to establish a protective tariff for onshore facilities and dual use facilities.

## **(2) Arrangements in the Photovoltaic Segment in Israel**

### **(A) Quota-based fixed tariff arrangement ("Tariff Arrangement")**

Until 2016, a tariff quota-based arrangement applied in Israel, according to which a fixed tariff was determined (which varied from one quota to another) for a period of 20 years after the commencement date of commercial operation, linked to the Consumer Price Index. Winning the guaranteed tariff was dependent upon the fulfillment of milestones which were determined within the framework of the arrangement, on a "first come, first served" basis. The Company has systems in commercial operation which are subject to this arrangement (through various tariffs, depending on the quota), with a total capacity of 49 MWp.

For additional details regarding the Company's systems in the Photovoltaic Segment which are in commercial operation, and regarding the tariffs to which they are entitled under the Tariff Arrangement, see Section 7.1.b(3) below, and Note 9 in Part C of the Report - Financial Statements.

<sup>29</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.

**(B) Tariff tender-based arrangement (the “Tender Arrangement”)**

Since 2017, photovoltaic facilities have been built as part of the arrangement regarding competitive processes over electricity tariffs, by virtue of which the Electricity Authority publishes, from time to time, tenders in respect of quotas for the construction of ultra-high, high and low voltage photovoltaic facilities (including minimum quotas and retaining the right to expand them) (“**Tariff Tenders**”).

For details 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 processes arrangement, see Section C below.

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

(i) Photovoltaic electricity production systems which are connected to the transmission grid (“**High Voltage Systems**”)

In tariff tenders for high voltage systems, the bidders compete over the lowest tariff per produced KWh. The tariff in the competitive process is determined according to the “clearing price” method, which grants winners a uniform tariff in the amount of the lowest bid which did not win the tender (the “**Winning Tariff**”). The Winning Tariff will be paid over a period of 23 years after the date of commercial operation, linked to a linkage formula which is based on parameters for the selection of the bidder. As a minimum condition for the submission of a bid, each bidder is required to deposit a bid guarantee in the amount of NIS 100 for each proposed 1KW, which will be replaced, after winning, with a construction guarantee in the amount of NIS 300 per 1KW. The winner is required to reach commercial operation in respect of the entire quota which it won in the Competitive Process within a period of 21 months after the date of the win (the effective date, after which the Electricity Authority will begin forfeiting the construction guarantee on a proportionate basis, until complete forfeiture for winners who have not reached commercial operation within 7 months after the effective date). From time to time, the Electricity Authority updates the conditions of the tenders which it publishes, both in terms of the scope of the quotas and the associated conditions, and in terms of the construction periods which are available to the winners under the terms of the arrangement.

(ii) Integration of storage technology in high voltage systems

Beginning in 2020, the Electricity Authority announced that competitive processes for high voltage photovoltaic facilities which it will publish will apply to fixed tariff quotas for facilities for the production of electricity using photovoltaic technology including storage facilities which allow the storage and release of electrical energy, at a rate which, as a minimum, matches the size of the site’s connection in terms of real capacity measured in megawatts (MW), for 4 hours (for details regarding the inclusion of storage technology in photovoltaic facilities, see Section 7.1a(2) above).

Accordingly, in 2020 the Electricity Authority published two tenders for the determination of a tariff for the production of electricity using photovoltaic technology including storage capabilities (the “**Storage Tender**”), in which the amounts of the guarantees required to guarantee the eligibility for the tariff were increased, such that each bidder is required to deposit a bid guarantee in the amount of NIS 200 per 1KW, and later to replace it with a construction guarantee in the amount of NIS 600 per 1KW. It is further noted that, in the most recently published storage tender (competitive process no. 2 for high voltage photovoltaic facilities including storage capabilities), changes were made to the period of the tariff which will be paid beginning from the commercial operation date of each facility, until December 29, 2045. The tender also allows the winners to extend the maximum deadline up to 3 times, and by 15 additional months in total.

For details regarding quotas for high voltage systems which were published by the Electricity Authority, see below. For additional details regarding the Storage Segment, see Section 7.3 below.

The coronavirus crisis led the Electricity Authority to reach several decisions with the intention of lessening the burden on various market entities. Extensions were given, inter alia, regarding the construction dates of renewable energy production facilities within the framework of competitive processes and the Authority’s arrangements. 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.

On November 7, 2022, the Electricity Authority published a decision regarding a 6 month extension of the deadlines and maximum deadline in competitive processes no. 1 and 2, for the determination of a tariff for the production of electricity using photovoltaic technology with integrated storage capacity. The extension of these deadlines does not involve an additional guarantee, and will be permitted subject to the extension of the construction guarantee, which will remain in effect for 45 days after the updated deadlines. The reason specified by the Authority for the postponement is the extraordinary duration of processes involving the provision of distributor responses to the winners of those processes.

**(iii) Photovoltaic electricity production systems which connect to the transmission grid (“Ultra-High Voltage Systems”)**

In accordance with the decision of the Electricity Authority in meeting 525 from September 2017, the bidders in a competitive process 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,

which constitutes a condition for the receipt of the winning notice. The tariff will be determined for each winner according to its bid amount (“**Discriminatory Tender**”), and space on the grid will be reserved for it, beginning from the date when the win is announced. The tariff which was determined for each winner will be paid to it for a period of 23 years after the date of commercial operation, or 24 years and 11 months after the signing date of the land transaction between the winner and the Israel Land Authority, whichever is earlier, linked to a linkage formula which is based on parameters for the selection of the bidder. As a minimum condition for the submission of a bid, the bidders will deposit a participation guarantee in the amount of NIS 100 for each proposed KWh, which will be replaced, after winning, with a construction guarantee in the amount of NIS 300 per KWh. The winner is required to reach commercial operation in respect of the entire capacity which it won in the competitive process by the deadline which has been determined for each process, and if it has failed meet that deadline the Electricity Authority will begin forfeiting the construction guarantee on a proportionate basis, until it has been forfeited in its entirety, for winners who have not reached commercial operation within 6 months after the deadline. 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 process for the construction of ultra-high voltage systems, which included, inter alia, the criteria which apply to participants in the process.

(iv) Dual use photovoltaic electricity production 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 photovoltaic technology. In this process, the Electricity Authority expanded the possibilities which were available until that time for the construction of dual use photovoltaic facilities, from rooftops and reservoirs to a wide variety, including landfills, cemeteries, junctions, indoor and outdoor parking lots, fences, engineering facilities, pergolas, greenhouses, acoustic protection facilities, etc. (hereinafter: “**Dual Use Areas**”). This process, and parallel processes, concluded with the allocation of approximately 815MW to the winners. The tariff guaranteed by winning this arrangement was limited to a period of 15 years, after which time the ordinary market conditions will apply. The other terms of the arrangement are similar in nature to those of high voltage competitive processes.

The Electricity Authority has also expanded its definition of dual use facilities to include agro-photovoltaic facilities as well. Agro-photovoltaic facilities are

photovoltaic facilities for the production of electricity which incorporate agricultural activity throughout the entire lifetime of the facility, allowing a powerful synergy between agriculture and electricity production. As of the Approval Date of the Report, a pilot program has been published in collaboration with the Ministry of Energy and the Ministry of Agriculture, which is expected to serve as the basis for an expansion of activity in this field. Additionally, in November 2022, the summary report of the inter-ministerial taskforce on formulating recommendations for measures required for the construction of agorot-photo-voltaic systems was published (the “**Inter-Ministerial Taskforce’s Report**”). The report’s conclusions include, inter alia, recommendations regarding the promotion of national outline plans to allow the construction of agro-photovoltaic facilities, the evaluation of additional possible locations for their construction, recommendations on property matters such as dedicated quotas, employment quotas, exemption from land return under certain conditions, etc. It was also recommended that the Ministry of Agriculture be responsible for the oversight and enforcement of the continued agricultural activity. The Inter-Ministerial Taskforce’s recommendations will be presented for approval to the National Planning and Construction Council, to the Israel Land Authority Council, and, if required, also to the government for approval.

**(C) The market arrangement, and granting of the right to transition from competitive processes to the market arrangement competitive processes:**

On September 7, 2022, the Electricity Authority published decision no. 63704, which is intended to regulate the activity of production facilities in the distribution grid, both those including storage capabilities and separate, and particularly, the possibility for such facilities to sell electricity directly to private providers. The main principles of the decision include providing the possibility to sell energy from a production facility to a private producer, within the framework of agreements between the market players regarding the terms of the engagement between them in respect of the sale of electricity, beginning on January 1, 2024. The Electricity Authority also allows the transition of facilities which were built by virtue of other arrangements, or by virtue of competitive processes, to transition to the open market model, instead of the terms of the competitive process arrangement.

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

On March 6, 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. This means that the tariff for electricity produced in these facilities will be determined according to the half hourly market

prices. 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.

On April 13, 2022, the Electricity Authority published the first process of its kind regarding the determination of a protective tariff for the production of electricity from renewable energy sources in facilities which are connected to the transmission grid, further to the foregoing decision. On September 15, 2022, the Electricity Authority announced the winners in the process, with a total capacity of 241 megawatts, and with a protective tariff of 11.7 agorot, 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 Arrangement and the Tender Arrangement, the Authority reaches decisions, from time to time, to support the construction of dedicated photovoltaic facilities.

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

	Connected projects	Projects under construction / in pre-construction		Projects in advanced stages of initiation		Initiated projects
		Competitive process First ultra-high voltage (1)	Photovoltaic Second competitive process for high voltage systems including storage capabilities (5)	Photovoltaic Second competitive process for high voltage systems including storage capabilities (5)	Facility including storage capabilities	Photovoltaic including storage capabilities
Capacity (MW)	330(2)	87	60 (100MWh)	120-140 (220MWh)	30 (MWh48)	500
Construction cost* (NIS millions)	1,200	240-280	205-245	425-475	100-120	
Revenue* (Annual, NIS in millions)	147-155(3)	22-26(4)	17-21(4)	36-40(4)	8-10(4)	
Gross profit* (Annual, NIS in millions)	111-117(3)	16-20(4)	11-15(4)			

- (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 2023
- (4) Projected results in the first full year of operation
- (5) The projected expected revenues are based on the electricity tariff under the arrangement. It is noted that in accordance with the market arrangement, the Company may engage with a private provider instead of the tariff arrangement, and in that case, the revenues are expected to increase.

\* 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 arrangement 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.

**(4) The Company's activity in 2023 and advancement of additional projects:**

The Company has a series of projects in initiation stages which it intends to build within the framework of additional competitive processes 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.

As of the Reporting Date, the Company is evaluating the possibility of collaborating with private providers who will purchase the electricity which is produced in its facilities, and sell it directly to business, home and other consumers, in exchange for electricity prices which are preferable to the tariffs which are guaranteed in the competitive process.

**As of the Approval Date of the Report, the Company believes that the 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 processes.**

**(5) Additional information regarding the Company's operating infrastructure in the Photovoltaic Segment in Israel**

- For details regarding the Company's activity in the Photovoltaic Segment in Israel, see Section 7.1b below.
- For the main details regarding the Company's projects in the Photovoltaic Segment in Israel which are commercially active; partially completed and/or partially connected projects; projects under construction and in pre-construction; and projects in advanced initiation stages and in initiation stages, see Section 3.1 in Part B - Board of Directors' Report.
- For additional details on all matters pertaining to projects in the Photovoltaic 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 9 in Part C of the Report - Financial Statements.
- For details regarding engagements and the Company's initiation and development activities in the Photovoltaic 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 details regarding project finance transactions for the Company's facilities in the Photovoltaic Segment in Israel which are commercially active, 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 Photovoltaic Segment, see Section 7.7b below.
- For details regarding the competitive conditions in the Photovoltaic Segment in Israel, see Section 12 below.
- For details regarding additional legislation which affects the Company's activity in the Photovoltaic Segment, see Section 7.8 below.
- For details regarding the useful lifetimes and depreciation rates of systems for the production of electricity from photovoltaic energy, see Note 2 in Part C of the Report - Financial Statements.
- For details regarding the main projects in the Photovoltaic Segment, beginning from the advanced initiation stage, see Note 9b in Part C of the Report - Financial Statements.

**C. The Company's activity in the Photovoltaic Segment in the United States**

During the Reporting Period, the Company's significant growth trend in the United States continued, thanks to the and significantly positive support for the renewable energy market. Most of the Company's activity in the United States is focused in Virginia, while during the Reporting Period the Company built infrastructure to support the expansion of its activity into neighboring states as well, including Pennsylvania, Kentucky and West Virginia, all of which are on the transmission grid managed by PJM<sup>30</sup>.

The substantiation of the Company's activity in Virginia and in neighboring states, along with the enactment of the IRA and the competitive advantage which was created for the Company thanks to its relationship with First Solar, and its ability to purchase panels which are manufactured in the United States, have significantly boosted the economic profitability and investment horizon of the Company's activity in the United States as the Company's main growth engine in the coming years.

**(1) General**

The market for electricity production from photovoltaic energy is growing significantly, and as a result, the total forecasted growth in the installed capacity of photovoltaic facilities between the years 2022 and 2030 increased during the fourth quarter of 2022 by approximately 63GW, an increase of approximately 21% relative to the forecasts in the corresponding quarter last year.

<sup>30</sup> The power grid manager of several states in the Northeast USA, including Virginia, Pennsylvania, Kentucky and West Virginia.

The Photovoltaic Segment in the United States 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 United States, revenue in respect of capacity. Entrepreneurs in the Photovoltaic Segment are also entitled to a federal tax benefit (ITC) in significant amounts, depending on their fulfillment of the preconditions for receiving the benefit.

**(2) Sources of income from photovoltaic activity in the United States:**

**(A) Sale of electricity**

The electricity sale market in the United States 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, Apple, 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 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>31</sup> which is published by the local electric company for the purpose of engaging in a 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 initiation, 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<sup>32</sup> (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). 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").

<sup>31</sup> As of the Approval Date of the Report, most of the Company's activity in the United States is not performed through tenders.

<sup>32</sup> See footnote 21.

**(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 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.

**(C) Additional income sources**

In certain cases, depending on the country and the power grid, it is possible to receive additional income from photovoltaic electricity production 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 benefit**

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) (the "**Tax Benefit**"). Alternatively, the entrepreneurs may engage with a local partner which has a federal tax liability in the United States (the "**Tax Partner**"). The Tax Partner usually joins during the stage of connecting the facility to the grid, and 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. 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 benefits 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 benefits - 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 benefits 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.

For additional details regarding the enactment of the IRA, and the ITC tax benefit, see Section 6.7 above.

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

The process of connecting to the grid is done vis-à-vis the relevant local electric corporation in whose area the facility is located, or vis-à-vis the regional power grid manager. 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.

The production, distribution and transmission of electricity are subject to regulations on the federal and state levels. During the Reporting Period, and as of the Approval Date of the Report, the distribution grid in Virginia, the state where most of the Company's development activity is taking place in the United States, 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 activity, except for Arizona, is managed by the grid manager PJM. 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 United States must obtain the following main permits: a county-level permit (in order to change to a designation which allows the use of the land for the purpose of building a solar facility), a state-level permit (mostly regulating environmental 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 Reporting 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 United States (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, creates a burden on projects that are in line for conducting connection surveys. As a result of the above, PJM adopted a reform involving changes to the process of conducting grid connection surveys, in which the submission of new applications will not be permitted in 2023, and additional costs will be imposed on applicants requesting the connection of facilities, along with a requirement to present proof of the project's feasibility. 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 will enter into effect 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 postponed from 2023 to 2024 and subsequent years, over the long term the line for future projects will be shortened significantly<sup>33</sup>.

**(6) Presented below is information regarding the series of projects in the United States:**

	Connected projects	Projects under construction / in pre-construction		Projects in advanced stages of initiation	Initiated projects
	Virginia Projects 1 and 2	Projects under construction in Pennsylvania	Projects under construction in Virginia	Virginia Projects	Photovoltaic
Capacity (MW)	224	104	312	455	5,065
Construction cost* (NIS millions)	586 <sup>(2)</sup>	265-305 <sup>(2)</sup>	715-755 <sup>(2)</sup>	1,050-1,090 <sup>(2)</sup>	
Revenue* (Annual, NIS in millions)	50-56 <sup>(1)</sup>	38-44 <sup>(3)</sup>	105-115 <sup>(3)</sup>	149-159 <sup>(3)</sup>	
Gross profit* (Annual, NIS in millions)	36-42 <sup>(1)</sup>	33-37 <sup>(3)</sup>	88-94 <sup>(3)</sup>		

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

- (1) In accordance with the projected results for 2023
- (2) Third party costs, including financing expenses during the construction period, tax payments in respect of initiation and construction profits, less the Tax Partner’s investment in respect of the tax benefit (ITC).
- (3) Projected results in the first full year of operation. The project results are presented according to full consolidation (100%)  
Some of the projects are held through the US Joint Venture, in which the Company has a 58% ownership stake. The Company’s share in the cash flow is 100%, in consideration of the preferred share capital and the waterfall payment model in these projects.

<sup>33</sup> This information constitutes Forward-Looking Information, as defined in Section 1.5 above.

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

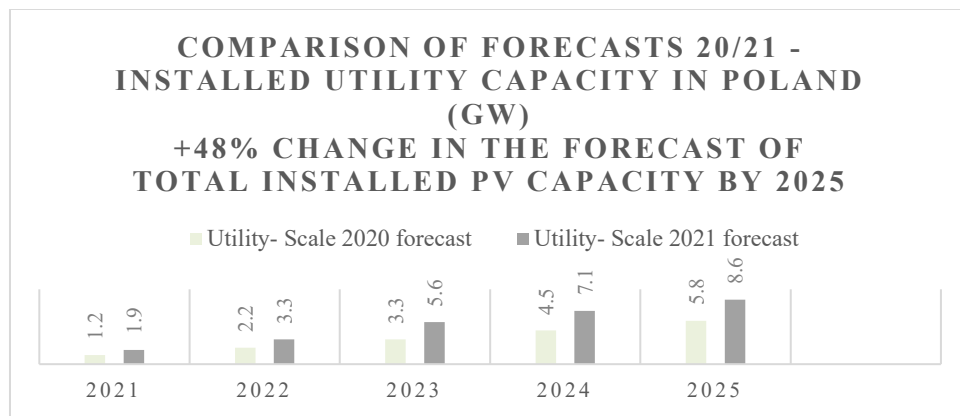
- For the main details regarding the Company's projects which are commercially active; partially completed and/or partially connected projects; under construction and in pre-construction; in advanced stages of initiation and in the initiation stage in the Photovoltaic Segment in the United States, see Section 3.1 in Part B of the Report - Board of Directors' Report.
- For additional details regarding projects in the Photovoltaic Segment in the United States which are classified under the item for connected electricity production systems and the item for systems under construction and initiation in the statement of financial position, see Note 9 in Part C of the Report - Financial Statements.
- For details regarding hedging transactions and engagements with tax partners in respect of the Company's facilities in the Photovoltaic Segment in the United States which are commercially active; partially completed and/or partially connected projects; and projects under construction and in pre-construction, see Note 14 in Part C of the Report - Financial Statements.
- For details 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.
- For details regarding the main agreements which are relevant to the Company's project activity, including in the Photovoltaic Segment in the United States, see Notes 9 and 15 in Part C of the Report - Financial Statements.
- For additional details regarding the Company's engagements and initiation and development activities in the Photovoltaic Segment in the United States, including under a joint venture with a local entrepreneurial company (the Joint Venture (USA)), see Note 15 in Part C of the Report - Financial Statements.
- For details regarding additional legislation which affects the Company's activity in the Photovoltaic Segment in the United States, see Section 7.8 below.
- For details regarding the Company's construction infrastructure, which provides construction services for the Company's facilities in the Photovoltaic Segment in the United States, see Note 9b(2)(a) in Part C of the Report - Financial Statements.

**D. The Company's activity in the Photovoltaic Segment in Poland**

In light of the inherent potential of the photovoltaic market in Poland, along with the know-how, professionalism and operating infrastructure which the Company has created in Poland, during the Reporting Period the Company worked on the development and promotion of projects in the Photovoltaic Segment in Poland, and is approaching the conclusion of construction and commencement of operation of its first photovoltaic facility in Poland, with a capacity of approximately 12MWp.

**(1) General**

in recent years, a significant acceleration began in the development of the photovoltaic market in Poland, which amounted to approximately 4GW of installed facilities at the end of 2020, approximately 7.6GW at the end of 2021, and approximately 12GW at the end of 2022. In accordance with the forecasts, this significant increase is expected to continue in the coming years. In 2022, relative to 2016, the capacity of solar projects throughout Poland, and the electricity produced therein, increased from 187MW to 12,000MW, and from 123.9GWh to 9,290.39 GWh, respectively. The growth trend in the PV market is expected to continue in the coming years, such that the projected installed capacity in 2025 is 20GW, and the projected installed capacity in 2030 is 28GW. Presented below is a graph showing the potential and expected growth in the photovoltaic market in Poland, in terms of installed PV capacity (GW)<sup>34</sup>.



**(2) Alternatives to the construction of photovoltaic facilities in Poland**

In accordance with the current regulation in Poland, photovoltaic electricity production projects can be built independently and sell the electricity produced therein on the power market at market prices, or by virtue of tender arrangements. Projects which are subject to the tender arrangement 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.

**(3) Additional relevant legislation in the Photovoltaic Segment in Poland**

- (i) The Real Estate Tax Law (RET), which regulates, inter alia, the basis for calculation of tax on all matters pertaining to photovoltaic facilities.
- (ii) **Production license** - To produce electricity from renewable energy sources at a capacity greater than 1MW, 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.

<sup>34</sup> Deloitte Israel & Co 2022.

**(4) Presented below is the Company’s operational infrastructure in the PV segment in Poland**

	Projects under construction	Initiated projects
	Lubanowo	Photovoltaic
Capacity (MW)	12	200
Construction cost* (NIS millions)	30-35	N/A
Revenue* (Annual, NIS in millions)	6-8 <sup>(2)</sup>	
Gross profit* (Annual, NIS in millions)	4-6 <sup>(2)</sup>	

\* Forward looking information, as defined in Section 1.5 above, which is based on the Company’s estimates and on the high electricity prices during the relevant period, and on an exchange rate of NIS 0.8 to PLN 1. Projected results in the first year of operation.

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

- For details regarding the main figures of facilities in the Photovoltaic Segment which the Company owns in Poland, see Section 3.1 in Part B - Board of Directors' Report, and Note 9 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 photovoltaic projects which the Company owns in Poland, see Note 9b(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 processes, 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. General**

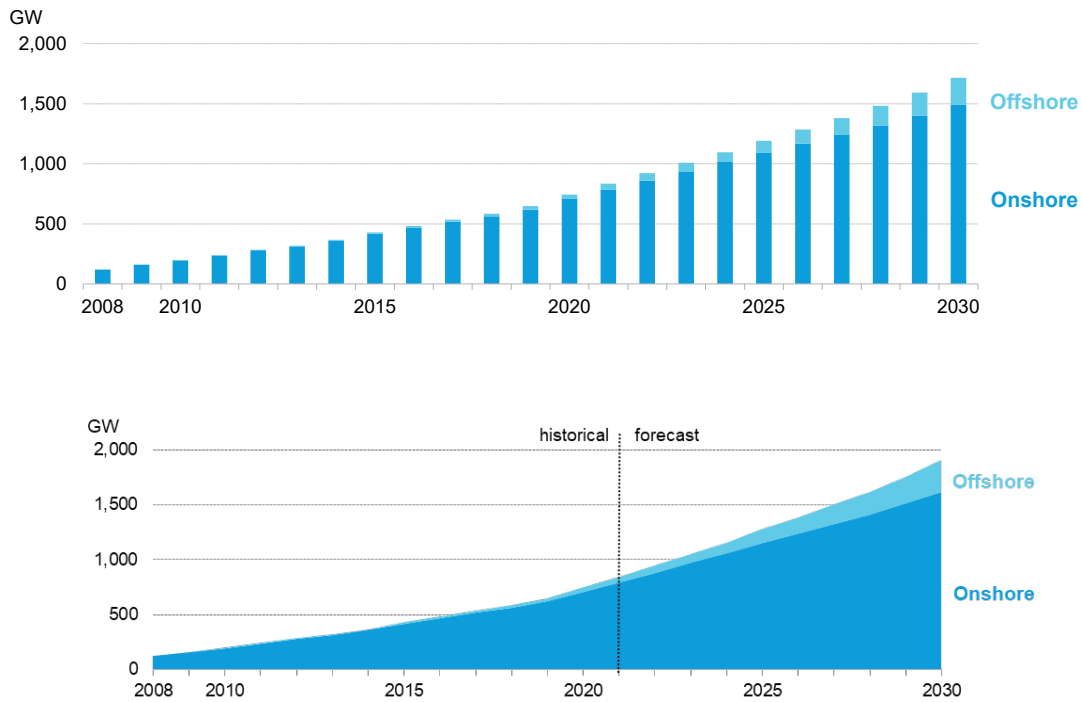
The Wind Energy Segment is the global leading segment for the production of electricity from renewable energy sources, with a global cumulative installed capacity of over 940 GW.<sup>35</sup>

In recent years, the global wind industry has grown by an average annual rate of over 50GW, while growth during the Reporting Period is expected to exceed 100GW, and in 2022 - 88GW<sup>36</sup>, due to technological innovations which allowed a reduction in the cost of electricity production from wind energy, and growth in investments in the Wind Energy Segment around the world, along with extensive government support programs.

<sup>35</sup> H2 2022 Global Wind Market Outlook \_ Full Report \_ BloombergNEF

<sup>36</sup> Q2 2022 Global Wind Market Outlook

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



Currently, typical onshore 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.

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

**(1) General**

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.

As of the Reporting Date, in Israel there are active wind farms with a capacity of 137MW, and additional capacity of approximately 293MW is in construction stages<sup>37</sup>.

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

The arrangement in respect of Large Wind Systems was published for the first time as part of decision 349 of the Electricity Authority, on October 10, 2011, and which was updated from time to time. In accordance with the arrangement which applies as of the Reporting Date, the quota for electricity production 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 approximately NIS 28 per produced 1KWh, in respect of facilities which are connected to the transmission grid (ultra-high voltage), and approximately 26 agorot 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 approximately 26 agorot per produced 1KWh, and in respect of facilities which are connected to the distribution grid, approximately 24 agorot 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.

<sup>37</sup> According to data of the 2021 electricity sector report, plus n additional 189MW in 2023, and plus the capacity of the Clean Wind Energy Project (104.1MW).

On November 28, 2022, the Electricity Authority published a proposed resolution to extend the validity period of the tariff for wind farms with a capacity exceeding 50KW, until June 30, 2024. However, the extension of validity will include the establishment of a variable subtraction factor for the tariff, in accordance with the date of financial closing. As proposed in the hearing, financial closing during 2023 will signify a subtraction of 7.5% in the arrangement tariff, and financial closing after January 1, 2024 will signify a subtraction of 15% in the arrangement tariff, relative to the full tariff to which the wind farm would have been entitled, had it reached financial closing by the end of 2022.

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

In late December 2019, agreements were signed between the Ministry of Energy, the Ministry of Finance and the Ministry of Defense, to finance 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, which will allow the continued development of several wind farm development projects in Northern Israel, including the Clean Wind Energy Project (as defined below). 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), and for the implementation of the technological solution no more than 32 months after the date when the agreements between the parties enter into force. In accordance with the Electricity Authority's decision, two thirds of the cost of the technological solution, which is estimated at a total of approximately NIS 250 million, will be paid by the entrepreneurs proportionately according to the size of the projects they will build, and one third will be paid by electricity sector consumers. The payment which applies to the entrepreneur is paid to the electric corporation / the system manager as a condition for the receipt of approval for financial closing.

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

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

- Receipt of a conditional license, requiring proof of ties to the land, performance of a feasibility survey by the 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 the 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 arrangements 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 arrangement (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 initiated projects, and regarding the Clean Wind Energy Project which the Company is developing in the Northern Golan Heights, with a capacity of 104MW, through an SPV - Clean Wind Energy Ltd. (the “**Project Company**” and the “**Clean Wind Energy Project**”, respectively), see Section 3.1 in Part B of the Report - Board of Directors' Report, and Note 9 in Part C of the Report - Financial Statements.

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

#### **(1) General**

The installed capacity of wind farms in Poland<sup>38</sup> is expected to reach 13.2GW by 2030, and 21.4GW by 2050. In recent years, the pace of development of the Wind Energy Segment has lessened somewhat, due to regulatory restrictions which did not allow the development and initiation of new wind farms. However, the Company believes that upon the adoption the Distance Law, and the expansion of the tariff tenders until the end of 2027, initiation activities in the wind energy field in Poland will resume at full speed.

<sup>38</sup> The figures refer to non-offshore wind farms.

**(2) Regulations and arrangements 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 arrangement**

The wind farm, which is subject to the green certificate arrangement, 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 production 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.

**Revenues from green certificates:** The green certificates, which constitute another revenue component in addition to the revenue from the sale of black electricity, 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 (hereinafter: the "**Fine**"), at an annual rate out of all the electricity which is produced by them and published by the regulator.

In accordance with the Regulations which are in effect as of the Approval Date of the Report, 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 Approval Date of the Report, see Note 9b(4)(b)(1) in Part C of the Report - Financial Statements.

### **(B) Tariff tenders arrangement**

The relevant arrangement 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 Arrangement**. The construction of a wind farm which is subject to this arrangement is conditional upon the fulfillment of minimum conditions regarding eligibility to participate in the arrangement, 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, beginning from the date of its commercial operation, to the guaranteed tariff which it won in the tender, 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 production is left, the remainder may be sold in the free 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 45 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.

### **(C) 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 details 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 initiation stages, as well as the resumption of initiation activities in respect of additional projects in the wind energy segment.
- (iii) **Production license** - To produce electricity from renewable energy sources at a capacity greater than 1MW, 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.
- (iv) Dedicated legislation and regulations which apply to the Company by virtue of its function as the distribution system operator (DSO) managing the power grid.

**(D) Presented below is information regarding the series of wind projects in Poland:**

	Connected projects	Projects in advanced stages of initiation	Initiated projects
	Wind	Wind Nowa Karczwa	Wind
Capacity (MW)	301	90	450
Construction cost* (NIS millions)	1,579	500-540	
Revenue* (Annual, NIS in millions)	477-487 <sup>(1)</sup>	87-97 <sup>(2)</sup>	
Gross profit* (Annual, NIS in millions)	418-428 <sup>(1)</sup>	4-6 <sup>(2)</sup>	

(1) According to the projected results for 2023\*

(2) Projected results in the first full year of operation

\* **Forward looking information, as defined in Section 1.5 above, which is based on the Company's estimates and on the high electricity prices during the relevant period, and an exchange rate of NIS 0.8 to PLN 1.**

The projected results for 2023 in Poland include revenue from hedging transactions, or the unwinding thereof, after the effect of the temporary legislation to limit electricity prices.

**(E) Information regarding the Company's activity in the Wind Energy Segment in Poland**

- For main details regarding the wind farms which the Company owns in Poland which are commercially active; partially completed and/or partially connected projects; and projects under construction, in pre-construction and in initiation, see Section 3.1 in 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 9 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 which are commercially active; partially completed and/or partially connected projects; and projects under construction and in pre-construction, see Note 14 in Part C of the Report - Financial Statements.
- For details regarding the Company's engagement in a financing transaction in the amount of up to PLN 550 million (approximately NIS 440 million), to finance the construction of the wind farms Banie Stage 3 (82MWp) and Sepopol (44MWp) on a non-recourse basis, see Note 14(d)(5) in Part C of the Report - Financial Statements.
- For details regarding the Company's engagement in a financing transaction in the amount of up to PLN 290 million (approximately NIS 215 million), to finance the construction of the wind farm Banie stage 4 (56MWp), on a non-recourse basis, see Note 14(d)(6) in Part C of the Report - 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 9b(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 processes, 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. General

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 construction of additional production 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, and can provide 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 of facilities, 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 deal with 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 photovoltaic facilities is fed into the national power grid throughout the day. Using this technology, a battery is installed near the solar field, which is charged with the electricity that is produced in the photovoltaic 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 whereby sudden fluctuations are “balanced out” 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 approximately 1.2TWh by 2030 (an increase of approximately 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 Reporting Period, the Company continued substantiating its activity in the Storage Segment 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 evaluated various alternatives and decided 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.

During the Reporting Period and as of the Approval Date of the Report, the Company has continued working on expanding and substantiating the storage infrastructure in its three operating territories:

- (1) **In Israel** - As of the Approval Date of the Report, possible revenues from integrated electricity storage in photovoltaic energy projects are through fixed tariff tenders. In 2020, the Electricity Authority also published a hearing before tender publication, regarding the arrangement in respect of standalone storage facilities. Additionally, in competitive process 2 for the construction of photovoltaic facilities with integrated storage capacity, the Company won a capacity of 80 MW, plus storage capacity of 320MWh. For details regarding the Company's preparation to realize the win in the process, see Section 7.7(c). Furthermore, under the market arrangement, renewable energy facilities, including those with storage capabilities, will have the possibility to integrate into the distribution grid. For details regarding the market arrangement, see Section 7.1(c).

On January 31, 2023, the Authority published a hearing regarding an amendment to criteria 175-176, in which it was proposed to establish a supplementary tariff which will be calculated annually for photovoltaic production facilities which include storage facilities without a separate meter. The Authority is essentially seeking to incentivize entrepreneurs in facilities with a capacity no greater than 630KW, and to increase the capacity which will be fed into the grid through the production facilities by including storage facilities. It was determined that only facilities which feed energy into the grid in a scope exceeding 2,500 hours per year will be entitled to the supplementary tariff, and that threshold will constitute an indicator that a storage facility has been integrated in the production facility. The supplementary tariff will be paid beginning in January 2024, in respect of 2023, and will also apply to existing facilities for which the integration request was submitted on or after January 1, 2018.

- (2) **In the United States** - 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 approximately 6.3 GWh, which the Company is developing while considering several possible revenue models. As of the present date, the Company is in advanced stages of evaluating the economic profitability of several income options at PJM, as a preliminary stage for the feasibility of the first project. The market at PJM allows various income channels which, in order to be optimally realized, require (inter alia) an emphasis on an advanced energy management system (EMS), and the Company is therefore focusing its efforts on studying the field and evaluating relevant technologies.
- (3) **In Poland** - The energy market in Poland allows several possible models, such as capacity commitments and energy market arbitrage. As of the Reporting Date, the Company is evaluating several possible models, and is developing a 50MWh project.

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

	Projects under construction / in pre-construction	Projects in advanced stages of initiation		Initiated projects		
	Israel	Israel	Israel	Israel	United States	Poland
	Photovoltaic Second competitive process for high voltage systems including storage capabilities	Photovoltaic Second competitive process for high voltage systems including storage capabilities	Facility including storage capabilities	Photovoltaic including storage capabilities	Storage	Storage
Capacity (MW)	60 (100MWh)	120-140 (220MWh)	30 (MWh48)	500	6,300MWh	50MWh
Construction cost* (NIS millions)	205-245	425-475	100-120			
Revenue* (Annual, NIS in millions) (2)	17-21	36-40	8-10			
Gross profit* (Annual, NIS in millions)	11-15					

- (1) All photovoltaic projects with integrated storage are also included in the series of projects in the Photovoltaic Segment in Israel, as specified in Section 7b.(3) 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 processes, 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. General**

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 approximately 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, and engaged with two small consumers in order to study the field.

For additional details regarding the Electricity Authority's decision to open up the provision segment to competition, without restrictions, see Section 6.5 above.

**C. Future activity**

The Company is evaluating possibilities of implementing a collaboration with a private provider or providers which will purchase the electricity that is produced in the renewable energy facilities which it owns.

**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 arrangement, 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 United States).

**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 Photovoltaic 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 production 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 Photovoltaic 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 details 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 Reporting 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 United States, 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 Reporting 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 United States, as a leading growth engine in the coming years. On all matters pertaining to the operating segment's profitability, in light of the increase in electricity prices around the world, there has been a clear increase in profitability of new renewable energy projects.

- For details regarding engagements and investments during the Reporting Period, see Notes 9 and 14 in Part C of the Report - Financial Statements.
- For details 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**

In early 2022 the global trend of supply chain disruptions and rising equipment and shipping costs continued. However, it is clarified that as of the Approval Date of the Report, these events have not had a significant impact on the Company's activity, in light of the fact that most of the main equipment which the Company requires for the years 2022-2023 (and in respect of photovoltaic panels, also beyond that period) were ordered in advance. Furthermore, the equipment suppliers with which the Company engages in all three of its operating territories are leading companies, such as First Solar and Vestas, with whom the Company has a long term strategic collaboration, and therefore, the Company's to supply chain delays is exposure low. Additionally, in respect of the wind turbine farm in the Golan Heights, the Company ordered wind turbines from General Electric. through the project company, Clean Wind Energy Project Ltd.

### A. **Suppliers and raw materials - Photovoltaic Segment**

The photovoltaic systems are comprised of photovoltaic 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. The Company's system in Neot Hovav also includes a substation. As of the Reporting Date, the Company is evaluating the possibility of cleaning through robotic systems, which will require adjustment of the mounting structure.

The Company ensures to engage and acquire components for its photovoltaic systems from leading suppliers from around the world, who have accumulated significant experience and a strong reputation in the Photovoltaic Segment, with an emphasis on a strategic partnership which it formed with the panel manufacturer First Solar. For details regarding the Company's engagement with First Solar, see Note 15(2)(c). However, according to the Company's estimate, due to the multiplicity of companies around the world which manufacture components for photovoltaic 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 Photovoltaic Segment**

- (1) Photovoltaic 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 United States 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.

**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 production availability (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 - Photovoltaic 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 Reporting Period, as part of its preparation for realization of the capacity which it won in competitive process 2 for the construction of photovoltaic 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 battery-based storage solution batteries with a capacity of up to 320MWh. In the transaction, Aviam will provide 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 which is given includes taking into account degradation of the system, and is derived from the warranty of its various parts. There is also an undertaking by the supplier regarding the availability of agreed-upon replacement parts, to guarantee the system's proper operation.

**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 (hereinafter: the "**Law**"), the Electricity Law - 1954 (hereinafter: the "**Electricity Law**"), and regulations and rules enacted pursuant thereto, as well as the decisions of the Public Utilities Authority - Electricity (hereinafter: 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 production licenses.

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 Electric Corporation, 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 production 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 Photovoltaic Segment in Israel**

(1) For details regarding the regulatory arrangement in the Photovoltaic Segment, see Section 7.1b(2) above. For details 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 photovoltaic 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 photovoltaic facilities, from small rooftop systems to land-based photovoltaic systems, with an area of up to 750 dunams, as it stands from time to time. The plan allows the installation of photovoltaic 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 photovoltaic 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 photovoltaic 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 photovoltaic facilities, and adding the use of storage facilities in approved detailed plans.

Planning institutions are currently working on national outline plans, both for the energy storage segment and for the arrangement regarding the first facilities of agro-photovoltaic facilities of the Ministries of Energy and Agriculture.

**(4) Municipal tax ordinance for photovoltaic facilities**

In March 2015, the Arrangements 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 photovoltaic 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 Photovoltaic 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 Photovoltaic 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, the “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. Photovoltaic Segment in the United States**

- (1) The Company's activity in the Photovoltaic Segment in the United States 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) For details regarding the regulatory arrangement in respect of the Photovoltaic Segment, including regarding the federal tax benefit (ITC) in the United States, see Section 7.1c above.

**D. Photovoltaic Segment in Poland**

For details regarding the regulatory arrangement regarding the in the Photovoltaic 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 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 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 details regarding the arrangement 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 details regarding the regulatory arrangement 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 additional details, 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 photovoltaic facilities, 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.

In this regard, it is noted that 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 Photovoltaic 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, etc.

**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. Advanced technological developments are focused on improving the battery's safety by developing an SSB (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.

**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 Photovoltaic and Wind Energy Segments in particular.
- 3) The publication of quotas and tender processes by the relevant authority and regulatory updates (publication of new arrangements, updates to existing arrangements 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 arrangements 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 arrangements 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) 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 initiation 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 initiation 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 processes 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, initiation, construction and connection of facilities for electricity production 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 land owners; Financing entities; Agreements for the sale of electricity (including the virtual sale of electricity or hedging transaction), service providers and partners in activity.
- 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 photovoltaic 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 Approval Date of the Report, the major advantage of the production of electricity through wind energy, photovoltaic 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**

During the Reporting Period, and as of the Approval Date of the Report, the Company is engaged in the sale of the electricity which it produces, through systems for the production of electricity from renewable energy in the Photovoltaic Segment, in the Wind Energy Segment, and in the Storage Segment, which it initiates, builds and operates.

For additional information, see Section 7 above and Notes 9 and 29 in Part C of the Report - Financial Statements.

Additionally, during the Reporting Period upon the receipt of the electricity provider license, the Company began providing electricity to private end users. For additional details, 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 initiation fees from the project companies in respect of the services which it provides in these areas.

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

	For the year ended December 31			
	2022		2021	
	NIS in	%	NIS in	%
Israel (*)	131,484	24.9%	111,781	41.9%
Poland	354,345	67.2%	128,758	48.3%
USA	41,496	7.9%	26,087	9.8%
<b>Total</b>	<b>527,325</b>	<b>100%</b>	<b>266,626</b>	<b>100%</b>

Presented below is the distribution of the Company's revenues in each of the years 2022 and 2021: 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**

As of the Reporting Date, the Company's main customer in Israel is the IEC (the critical service provider), which, in accordance with the terms of the relevant arrangement, 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 the IEC is done in accordance with tariffs which were determined by the Electricity Authority within the framework of the previous arrangement, and since 2017, this engagement is implemented according to the tariff which was determined in the relevant tender (for additional details 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.

The Corporation's revenues from the IEC during the Reporting Period amounted to approximately NIS 85 million, which constitute a rate of approximately 16% of the Company's total revenues in general, and 66% of total revenues in Israel in particular during the Reporting Period.

During the Reporting 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. General:**

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:**

During the Reporting 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 approximately 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 arrangement 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 Reporting Period amounted to NIS 330 million, which constitute a rate of approximately 63% of the Company’s total income in its consolidated reports.

For details regarding fixed price electricity transactions during the Reporting Period, and fixed price transactions with respect to electricity and green certificates during the Reporting Period and in respect of 2022 to 2024, see Note 9b(4) in Part C of the Report - Financial Statements.

**10.3 Sale of electricity and green certificates in the United States****A. General:**

Due to the fact that the electricity market in the United States is an advanced market in terms of customers, electricity can be sold in the United States 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). During the Reporting Period, total revenues from the Company’s activity in the United States 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 United States (including by hedging the price of electricity), see Note 9b(2)(b)a and 9(b)(2)(c).

## **11. Marketing and distribution**

As of the Approval Date of the Report, the Company's activity in the Photovoltaic, 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 critical service provider, which is required, in accordance with the local arrangement, to engage in long term agreements with the Company. However, upon the opening of the supply segment and the open market arrangement, the Company is evaluating the possibility of engaging with private electricity providers which will purchase the electricity from the Company's facilities, and which will, in turn, sell the electricity to end consumers. This activity does not require a 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 Reporting Period, and as of the Approval Date of the Report, the Company sells the electricity which is produced in commercially active wind farms to a local electricity trader. 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 details regarding the relevant project company's agreement for the sale of the electricity which is produced in the Company's wind farms in Poland, and for the sale of the green certificates which are allocated for them, see Section 10.2 above, and Note 9b(4) in Part C of the Report - Financial Statements.

On all matters pertaining to the Company's activity in the United States, 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 Reporting 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 Photovoltaic 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 Photovoltaic Segment**

According to the Company's estimate, as of the Reporting Date, 5-10 relevant competitors are active in the market for high voltage and ultra-high voltage photovoltaic facilities in Israel. The segment for ultra-high voltage photovoltaic 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 photovoltaic market in the United States is divided into 50 different markets (according to the states), and features saturation of producers and consumers, and as part of the above, competition takes place on all matters pertaining to long term agreements for the sale and purchase of electricity. As of the Reporting Period, and as of the Approval Date of the Report, the Company estimates that its share in the Photovoltaic Segment in the United States 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 initiation 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 Reporting Period, and as of the Approval Date of the Report, 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 Photovoltaic 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 details regarding the tools and means which the Company has developed in order to maintain its relative advantage, see Section 1.5 above.

**13. Production capacity**

For information regarding the Company's electricity production capacity, see Note 9 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 photovoltaic systems and wind farms. As regards the photovoltaic activity, in the spring and summer, in which the sunlight is stronger, the output of the photovoltaic systems is higher. In the fall and winter, in which the sunlight is relatively weak, the output of the systems decreases. In regards 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 Photovoltaic 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.

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

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

\* It is noted that wind conditions were poor in 2022, especially the in fourth quarter of 2022, which affected the Company's revenue from the production of electricity through wind energy in Poland, and its revenue distribution throughout the seasons of that year.

Presented below is the distribution of revenue from the sale of electricity from the Company's systems during 2021:

Distribution of revenue due to seasonality	Q1	Q2	Q3	Q4	Total
In the Photovoltaic Segment in Israel	20%	30%	30%	20%	100%
In the Wind Energy Segment in Poland	30%	20%	20%	30%	100%
In the Photovoltaic Segment in the United States	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 United States. However, in the United States 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 Photovoltaic 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 Notes 25b.(3) and 7 in Part C of the Report - Financial Statements.

The Company has no material fixed assets other than the electricity production systems which it owns. For additional information, see Note 9 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 10 in Part C of the Report - Financial Statements.

**16. Intangible assets**

As of the Approval Date of the Report, the Company holds the following registered trademarks:

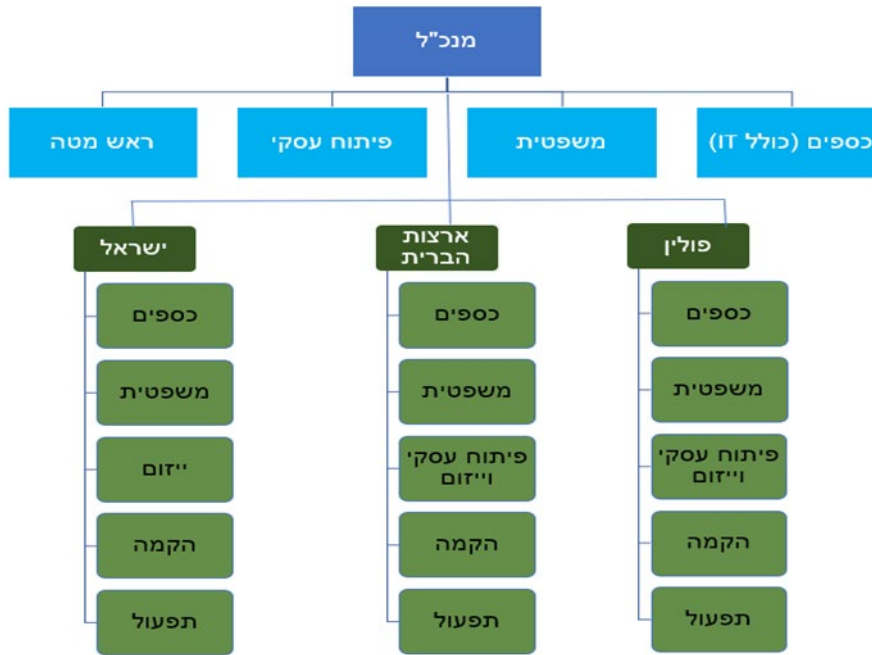
No.	trademark	Registration entity	Application date	Expiration date	Trademark number
1		Israel	7.10.2021	7.10.2031	344044
		WIPO	24.2.2022	24.2.2032	1706430
2		Israel	7.10.2021	7.10.2031	344043

As of the Reporting Date, the Company also holds a international trademark application in respect of asset no. 2, by the WIPO (World Intellectual Property Organization). The Company expects the application to be expected in the near future. Further to the registration of the international trademark, a second registration process in respect of trademarks in the target countries will follow.

**17. Human capital**

**17.1 Organizational structure**

Presented below is a diagram illustrating the Company’s organizational structure as of the date of the report:



	CEO		
Division leader	Business development	Legal	Finance (including IT)
<b>Israel</b>	<b>USA</b>		<b>Poland</b>
Finance	Finance		Finance
Legal	Legal		Legal
Initiation	Business development and initiation		Business development and initiation
Construction	Construction		Construction
Operations	Operations		Operations

The Company considers it highly important to adjust its organizational operating structure, with an emphasis on the fact that, although the Company’s headquarters and extensive support center are based in Israel, and provide management services and professional services to the managers of the various countries, through distribution into territories, the expansion of the Company’s activity in the various markets (USA, Poland and Israel) requires local and independent organizational infrastructure. In light of the foregoing, during the Reporting Period and as of the Approval Date of the Report, the Company is continuing to expand its workforce, and is intensively working on the recruitment of additional employees, in all of the territories. The Company has also concluded the process of separating the three territories into independent arms professionally managed by company headquarters.

As of the Approval Date of the Report, the Company employs, directly and indirectly, 160 employees, as compared with 140 employees as of the Reporting Date last year, and expects to employ around 230 employees by the end of 2023. All employees receives training which is sufficient for the purpose of fulfilling their responsibilities, with 31 of the employees being employed in a Polish subsidiary which is wholly owned by the Company, and 59 employees in an American subsidiary of the Company. 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 25 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.

(1) For details regarding the chairman of the Company's Board of Directors, and the provision of services by him in accordance with the management agreement with Alony Hetz, see Note 25a in Part C of the Report - Financial Statements. (2) For details regarding the main terms of the employment agreement with the Company's CEO, decisions regarding annual compensation and options which were granted to him, see Regulation 21 in Part D of the Report - Additional Details, and Note 25c in Part C of the Report - Financial Statements; (3) For details regarding the main terms of the employment agreements with the Company's corporate officers, including decisions regarding annual compensation and options which were provided to each of them, as applicable, and regarding the resolution of the Company's Board of Directors (after a recommendation from the Compensation Committee was received) to amend their employment agreements, as applicable, see Regulation 21 of Part D of the Report - Additional Details.

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

**Changes to the list of corporate officers during the Reporting Period and as of the Approval Date of the Report:**

- On June 31, 2022, Ms. Tanya Friedman began serving as the Company's Interim CFO, instead of Mr. Nevo Brenner, who concluded his role in the Company. On December 22, 2022, Ms. Tanya Friedman began serving as the Company's CFO.

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

As stated in Section 17.1 above, during the Reporting Period there was a significant increase in the Company's workforce in Israel and abroad, including the continued substantiation of offices and subsidiaries in the United States 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 details, 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 Approval Date of the Report, the Company has 4 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) (hereinafter: "**Section 102**"), or in accordance with the tax laws which apply to the 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: the "**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 the “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 United States. 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 additional details 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. 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 Reporting 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.

## **18. Raw materials and suppliers**

For details regarding the raw materials which are relevant to the Company's activity in the Photovoltaic 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.

## **19. Working capital**

As of December 31, 2022, the Company has no working capital deficit.

## **20. Financing**

### **20.1 General:**

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 possibly also in the Storage Segment (with integrated PV). The Company's activity is financed by the cash flows which arise for it from commercially active 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 E to Part B of the Report - Board of Directors' Report, and Note 14 in Part C of the Report - Financial Statements. For additional details the capital raising which the Company performed during the Reporting Period, see Note 32c in Part C of the Report - Financial Statements.

### **20.2 Credit rating**

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

**20.3 Reportable credit:**

As of the Reporting Date and as of the Approval Date of the Report, 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.

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

In 2023 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 details 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 (approximately NIS 440 million), see Note 14c in Part C of the Report - Financial Statements. For details, see Note 9b(4)(c) 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 14c 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 additional information regarding the Company's unused credit facilities, see Note 14 in Part C of the Report - Financial Statements.
- (6) For details regarding the engagement between the Joint Venture (US) and a tax partner, see Section 7.1 above.
- (7) For details regarding the Company's raising of capital, bonds and convertible bonds, see Note 14d(8) in Part C of the Report - Financial Statements.

**21. Taxation****21.1 Taxation of companies**

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

## **21.2 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 United States, for the purpose of operating electricity production 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 details regarding changes in the method used to calculate tax, see Note 28 in Part C of the Report - Financial Statements.

## **22. Environmental considerations**

### **22.1 Photovoltaic 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. A condition for the receipt of the required permits for the construction of projects for the production of electricity is the performance of 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.

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 photovoltaic systems at the end of their activity periods.

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 Approval Date of the Report, 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 United States, the Company conducts environmental surveys for each of its planned projects. The survey includes conducting an evaluation of the various restrictions which apply to the land, maintaining distance requirements, prohibition against cutting down trees, etc., and conducting an evaluation regarding the existence of any endangered wildlife in the project's area.

## **22.2 Wind Energy Segment**

On all matters pertaining to the Wind Energy Segment, due to the very nature and size of wind energy electricity production 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 15 in Part C of the Report - Financial Statements.

### **22.3 Environmental risks and methods for the management thereof**

As of the Reporting Date, and as of the Approval Date of the Report, 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 Reporting Date, the Company's 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 environmental costs applied to the Company.

## **23. 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 production 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 Approval Date of the Report.

For details 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.

## **24. 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 Reporting 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 9b(2) 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 22 in Part D - Additional Details, and 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 6.2 above, 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 2.3 in Part B of the Report - Board of Directors' Report, and Note 9b(3)(c) in Part C of the Report - Financial Statements.

## **25. 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 9b(1) in Part C of the Report - Financial Statements.
- (2) **Joint Venture Agreement in respect of activities in the Photovoltaic Segment in the United States** - The Company has an agreement with an American entrepreneur, under which a Joint Venture was formed whose purpose is the construction, financing and operation of projects in the Photovoltaic Segment in the United States. For additional details, see Section 7.1.(c) above and Notes 15a(3) and 9b(2) in Part C of the Report - Financial Statements.

## **26. The Company's activities in the field of information security and cybersecurity**

The Company routinely uses information technology, telecommunication, and data processing systems. Any harm to these systems could expose the Company to delays and disruptions in the provision of the electricity which is produced in the Company's facilities, and/or could harm the Company's information and/or damage the Company's reputation. The Company also has various databases (suppliers, customers, etc.), payments (collection and payment), employees, etc., which serve the Company in its operating activities. For the purpose of documenting the databases, the Company uses (inter alia) various technological systems. 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, from time to time, 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.

During the Reporting Period the Company continued working on strengthening the resilience of the Company's information security infrastructure, including, inter alia, the installation of a log collection and analysis system which assists in the identification of security breaches, a system which alerts regarding suspicious network activity, and a system for threats identification and protection when browsing the internet, as well as protection against identity theft. However, it is clarified that there can be no certainty regarding the Company's ability to completely prevent cyber attacks.

The Company purchases a cybersecurity incident insurance policy which provides, inter alia, insurance coverage for ransomware events, system failures, and more. 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 initiation of other corrective measures towards third parties.

## **27. Legal proceedings**

As of the Reporting 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 9b(5) in Part C - Financial Statements.

## **28. 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. The Company works with a focus on its operating segments in the production and storage of electricity from photovoltaic and wind sources in Israel and abroad. The Company operates in accordance with a strategic plan which included an evaluation of the Company's operating results and various alternatives for focusing its future activity. The plan which the Company adopted in 2020, and which was revised upwards in March 2022, is based on a significant increase in the Company's activity with extensive international activity, with an emphasis on expanding the activities in the United States, and maintaining the Company's two operating anchors in Israel and in Poland. As part of the plan, the Company emphasizes significantly increasing its electricity production capacity and additional expansion in the United States, while maintaining adequate returns and a prudent risk level.

As part of the above, **in the United States** the Company is continuing to work on developing the activity in the Virginia region, while expanding its activity 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); **In Israel**, in light of the significant increase in competition, the Company intends to expand its activity in the initiation of an additional series of projects, while developing the Storage Segment as an integral part of the Company's activity as an integral part of the Company's activity, and the Company is evaluating activity in the market model and the sale of electricity under commercial agreements for the sale of electricity to providers, which will allow maximizing its revenues from the sale of electricity, relative to the current arrangement; **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, Photovoltaic 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.

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.

As part of the above, the Company evaluated the targets in its long term work plan, 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.

In light of the foregoing, proximate to the Approval Date of the Report, the Company adjusted the targets of its long term work plan (2026), according to which the Company estimates that it will conclude 2026 with a series of projects of 4.3GW, which are expected to produce revenue of over NIS 2 billion, with an EBITDA of approximately 80%.

It is noted that in accordance with the Company's estimates as of the Reporting Date, the total cost of construction of the series of projects is estimated at approximately NIS 19.3 billion, including approximately 2.9 billion as equity which has already been provided by the Company for its existing facilities. 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 the foregoing series of projects. The remaining amount which may be required for the construction of the projects is expected to be received from financing transactions, according to the standard industry practice.

For additional details, see Section 2.1(ii) 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. Anticipated developments in the coming year**

In 2023 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. All of the above will take place along with the continued construction of the organizational infrastructure required to support the ongoing and accelerated growth of the Company's activity in each territory, completion of a financing package of an unprecedented scope of over USD 630 million in the United States, and expansion of the platforms which serve the Company and will support its current and anticipated scope of activities.

The Company intends to continue working intensively on growing and promoting the entire series of projects which it owns, both in the Photovoltaic Segment and in the Wind Energy Segment, in all three territories, in order to bring them to construction or commercial operation, in consideration of the challenges which it is expected to face this year, including economic instability, dealing with inflation, and continuation of the energy crisis. As part of the above, in 2023 the Company is expected to build projects with a capacity of over 650MW in its three operating territories. 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. The Company estimates that it will conclude 2023 with a series of commercially active projects / projects near completion of construction with a capacity of 1369MW, an increase of approximately 60% relative to December 31, 2022, and a total revenue forecast of NIS 700-750 million in 2023.

In parallel, 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 operating activities, and to work on adopting and implementing work plans which will allow the Company to meet the targets which the Company adopted as part of its activity in the field of ESG. For additional details, see Section 2.7 in Part B of the Report - Board of Directors' Report.

The Company's stable capital structure (revenue, capital raisings in 2022, and project finance transactions) provide the Company with solutions for the significant investment amounts which it is expected to require in the coming years. However, this does not rule out the possibility of obtaining additional financing within the framework of project finance or through raising capital / debt from the public, in accordance with market conditions, leveraging of opportunities, and the Company's needs.

For additional details regarding the Company's systems which are commercially active; partially completed and/or partially connected projects; systems under construction, in pre-construction and in initiation stages, as of the Reporting Date, see Section 3.1 in Part B of the Report - Board of Directors' Report, and Note 9 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 Section 3.4 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.

**30. 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 Reporting Date until the Approval Date of the Report. For information regarding events subsequent to the Reporting Date, see Note 32 in Part C of the Report - Financial Statements.

**31. 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.

**32. 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 initiation 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.

**32.1 Macro/macro-economic risk factors:**

**A. Exchange rate**

In light of the Company's activities in Poland and in the United States, 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 initiation 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 United States 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 photovoltaic 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 light of the increase in inflation, there has also been a trend of increasing interest rates, which currently stand at an annual rate of 7.3%. In the United States, in light of the rising inflation and the Fed's interest rate hikes, the SOFR interest rate has increased significantly to a rate of around 3.6%-4.4%, depending on the interest period. 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 arrangement regarding the Photovoltaic 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 arrangements 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 tax policy**

The Company's activity involving the construction of electricity production 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.

**32.2 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.

**J. 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.

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

Cyber attacks on the networks of the Company's commercially active production facilities (wind turbines and photovoltaic 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.

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

Insofar as the Company's activity depends on the publication of competitive processes 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 arrangement, or a failure to win tenders, may adversely affect the Company's fulfillment of its forecasts and strategic plans. As of the Approval Date of the Report, the scope of activities which are subject to local arrangements is gradually decreasing relative to the economic profitability which exists, including in case of the construction of projects with full market exposure.

**M. 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 United States, 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 arrangements 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.

**N. 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 photovoltaic systems by sunlight intensity (sunlight levels and sunlight hours), temperature conditions, and other climate parameters. Therefore, seasonality, changes in climate and changes in weather have a direct impact on the scope of electricity produced in the Company's facilities. Furthermore, extreme weather conditions could also lead to delays in the construction of projects, or in extreme scenarios involving temporary shutdown of the electricity production systems. 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 additional details, see Section 14 above.

**O. 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.

**P. 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.

**Q. 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.

**R. 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 Approval Date of the Report, 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.

**S. Environmental considerations**

The Company's activity may involve various environmental risks. For additional details, see Section 22 above.

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

**(1) Israel**

- During the Reporting Period, electricity from the Company's facilities in Israel was sold through feed-in tariff arrangements or tariff arrangements 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.
- As of the Approval Date of the Report, the Company is evaluating the possibility of selling the electricity to a provider by virtue of a long term commercial power purchase agreement, at a predetermined price, instead of selling it to the Israel Electric Corporation or the system manager for a guaranteed tariff by virtue of the tariff arrangement. In case the provider with whom the Company has engaged has breached its undertakings by virtue of the power purchase agreement, the Company may be exposed to the electricity prices which are in effect as of the date of the breach.

**(2) Poland**

- In accordance with the provisions of the Company's power purchase agreements in Poland as of the Reporting 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 arrangements 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.

**(3) USA**

- The prices of electricity in the United States 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 prices of renewable energy certificates in the United States 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 United States 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.

**U. Compliance with the required conditions to receive tax benefits in the United States**

Managing the costs of installing facilities in the United States 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 photovoltaic 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 benefit, 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 benefits which were provided to it. Furthermore, if the Company engages in a transaction for the transfer of the tax benefit to another company, the loss of tax benefits 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.

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

- The sale of the electricity which is produced in the Company's facilities in the United States 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 manage 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 United States, the possibility of exercising the federal tax benefits in respect of projects which the Company will build in the United States depends on engaging with a local tax partner which has federal tax liability in the United States. 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 United States.

**W. 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 arrangements, 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 an arrangement 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 arrangement and to the Polish Renewable Energies Law. Changes to the regulatory environment in Poland may have a significant affect on the Company's activity. For additional details 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 United States** - The Company's activity as part of the Joint Venture in the United States is 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 benefits which are given for photovoltaic facilities with integrated storage technology and for storage facilities in the United States, or the establishment of preconditions which do not correspond to the Company's activity for the purpose of receiving the tax benefit, 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 United States may have a negative effect on the Company's ability to engage with partners to finance its activities. For additional details regarding the regulatory environment in the United States, see Section 7.1c above.

**32.3. Risk factors which are unique to the Company:****X. 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 production 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 benefits in the United States, or to the loss of guaranteed tariffs to which it is entitled by virtue of the arrangements, and could significantly harm or terminate agreements for financing the Company's activities (including engagements with tax partners in the United States) 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.

**Y. 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.

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	
Increase in input prices		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 information systems (IT)		X	
Global changes to the supply chain, shipping costs	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 (OT)		X	
Non-receipt of licenses, quotas, and winning of tariff tenders or quotas	X		
Dependence on approval of plans and receipt of permits and approvals	X		
Weather conditions, seasonality and changes in climate	X		
Functionality of facilities, safety, natural hazards, war and terrorism		X	
Shortage in financing sources or difficulty in obtaining financing	X		
Breaches by the system manager or critical service provider			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		
Fulfillment of the conditions required to receive tax benefits in the United States	X		
Dependence on engagement in agreements which are required to reach financial closing in the United States (sale of electricity and tax partner)		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	

Nathan Hetz - Chairman of the Board

Asa Levinger - CEO

## **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, 2022 (hereinafter: the "**Reporting 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 Reporting Date, and as of the Approval Date of the Report, the Company is engaged, independently and through subsidiaries and partnerships wholly under its control, or under its joint 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 approximately 855MW in commercially active projects, approximately 680MWp in projects under construction or in pre-construction, and approximately 695MW in projects in advanced stages of initiation. The Company also has initiated projects in the Photovoltaic Segment and in the Wind Energy Segment with a capacity of approximately 6.3 GW, and initiated projects in the Storage Segment with a capacity of approximately 7 GWh. For details and definitions regarding the classification of the projects which are owned by the Company by development stages, see Section 3.1 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.

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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.

- For details 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.

### **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 Approval Date of the Report, 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 Reporting Period and as of the Approval Date of the Report:**<sup>2</sup>

### **2.1. Operating results and forecasts:**

- (i) **Record results - Revenue of over NIS 0.5 billion and 3x growth of net profit in 2022:** Due to the increase in electricity prices, the amendment of power purchase agreements in Poland during 2022, and the growth in the series of commercially active projects. Total revenues in 2022 amounted to a total of approximately NIS 527 million, reflecting growth of approximately 2x relative to the corresponding period last year. Net profit attributable to Company shareholders amounted to a total of NIS 237 million in 2022, reflecting growth of approximately 200%. Total revenues in Q4 amounted to a total of NIS 195 million, and net profit attributable to Company shareholders amounted in Q4 2022 to a total of NIS 106 million, reflecting growth of 150% and 360% relative to the corresponding period last year, respectively.

In light of the Company's operating results in 2022, 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 2023. For details, see Section 2.6 below.

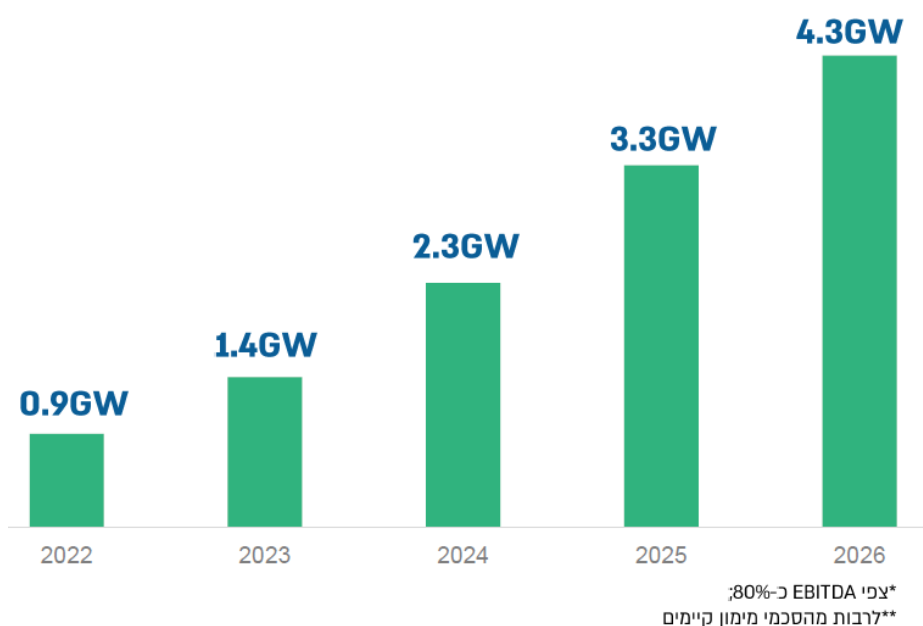
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<sup>2</sup> Includes Forward-Looking Information.

(ii) **Targets of the long term work plan - The Company estimates that it will conclude 2026 with a series of projects which is expected to generate revenue of over NIS 2 billion per year:** As part of the implementation of the Company's strategic plan, and in light of changes in the power markets of the target countries (including the increase in electricity prices, the enactment of the IRA in the United States, the reform in connection process to the PJM grid, and the increase in construction costs), the Company has adjusted the targets in its long term work plan (2026). **Accordingly, the Company estimates that it will conclude 2026 with a series of projects of approximately 4.3GW, which will generate revenue in a projected scope of over NIS 2 billion, and EBITDA of approximately 80%.**

The total construction cost of this series of projects is estimated at approximately NIS 19.3 billion, including a total of NIS 2.9 billion as equity, which has already been fully invested by the Company with respect to its existing facilities. The remaining amount required for the construction of the projects is expected to be received in financing transactions, in accordance with the standard industry practice.

Presented below is a graph showing the projected connected capacity by the end of 2026:

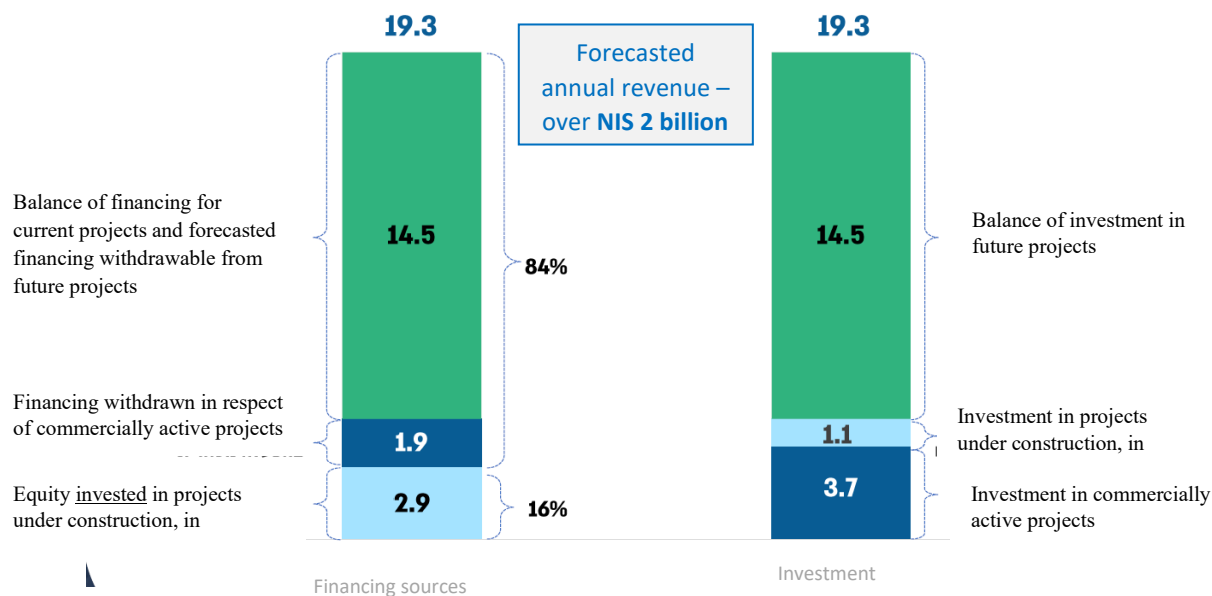


\* EBITDA forecast – around 80%;

\*\* Including from existing finance agreements

Presented below is a graph showing projected investments, financing and equity for the connected series of 4.3GW by the end of 2026 (billions of NIS):

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



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 additional details, see Section 28 in Part A of the Report - Description of the Corporation's Business.

**(iii) Publication of forecasts for the years 2023 and 2024 - the Company's annual revenues in 2024 are expected to exceed NIS 1 billion:**

- 1) The Company estimates that its revenue from projects in 2023 will amount to NIS 700-750 million\*; Project gross profit is estimated at around NIS 580-620 million\*, while project FFO (including bond financing) is expected to amount to NIS 460-500\* million.

\* The projected results in Poland for 2023 include revenue from hedging transactions, or the unwinding thereof, after the effect of the temporary legislation to limit electricity prices. For additional details regarding the legislation and its effects, see section 6.2 in Part A - Description of the Corporation's Business, and sections 2.3 and 3.4 below.

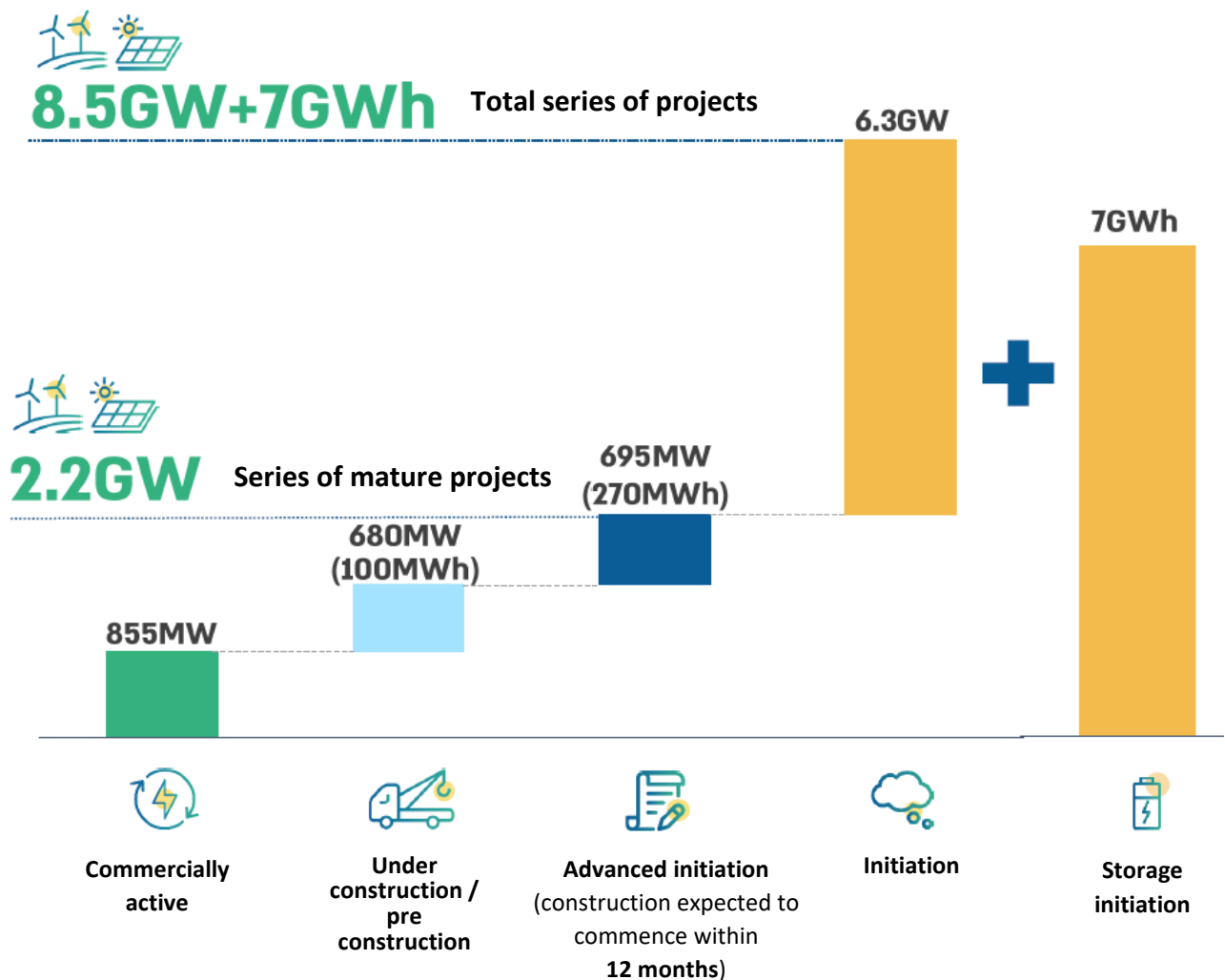
- 2) The Company published its projected revenues for 2024, and estimates that its revenue from projects in 2024 will amount to NIS 1,050-1,100 million; Project gross profit is estimated at approximately NIS 880-920 million, and project FFO (including bond financing) is expected to amount to NIS 660-700 million.

*It is emphasized that the forecast is based on forecast of forward electricity prices during the relevant period. For the assumptions which were used by the Company in preparing its forecasts, see section 3.4 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.*

- (iv) **Signing of power purchase and hedge agreements at record prices:** During the Reporting Period and until the Approval Date of the Report, the Company worked on signing amendments to its power purchase agreements in Poland, and on signing long term power purchase agreements in the United States in significant scopes, in order to maximize the Company's revenues in light of the high electricity prices in Poland and in the United States. For details regarding the impact of the temporary legislation in Poland on the Company's revenues in 2023, see section 3.4 below.
- (v) **Massive growth in the series of commercially active projects during 2022, construction momentum in 2023:** during the Reporting Period and until the Approval Date of the Report, the Company's total series of commercially active projects grew by around 42%, and as of the Approval Date of the Report, amounts to 855MW. The Company also has projects under construction, or which are expected to commence construction in 2023, with a capacity of 680MW, such that the Company estimates that it will conclude 2023 with a series of projects of approximately 1,370MW which are commercially active / approaching the conclusion of construction, growth of 60% relative to the end of 2022. For additional details, see the Company's series of projects below, and Notes 99 and 15 in Part C of the Report - Financial Statements.
- (vi) **Project finance transactions at a scope of NIS 3.1 billion:** During the Reporting Period, the Company engaged in project finance transactions at a total scope of approximately NIS 865 thousand in Israel and in Poland, and is in advanced negotiations towards the receipt of back leverage financing and financing from a tax partner in the United States, in an amount exceeding USD 630 million. The Company's financing transactions are used to finance the construction of projects and/or to recover capital which the Company has provided, with the remainder used to finance the construction of additional projects. For additional details, see Note 14c to the financial statements, the immediate report regarding the financing transaction for the construction of a wind farm in the Golan Heights, dated June 15, 2022 (reference number: 2022-01-074062), and the immediate report regarding the financing transaction for the construction of a wind farm in Poland, dated March 9, 2022 (reference number: 2022-01-023334), which are included herein, in their entirety, by way of reference.

(vii) **Expansion of the strategic collaboration with First Solar:** During the Reporting Period, the Company engaged in an additional significant agreement, and in an update thereto, with one of the world's leading photovoltaic panel producers, for the purchase of panels with a total capacity of over 2GWp. The purchase of the panels was intended to ensure the orderly and routine supply of panels for the Company's activity until 2026, which is expected to allow the Company, inter alia, to receive an additional 10% tax benefit from the ITC in the United States, and to create a relative advantage for the Company in the photovoltaic market in the United States. For additional details, see Note 15a(2)(c) to the financial statements, and the immediate report dated January 9, 2022 (reference number: 2022-01-004456), which is included herein, in its entirety, by way of reference.

**The Company's series of projects, as of the publication date of the report:**



## 2.2. The Company's activity in the United States – maintaining Energix's status as a leading player in the Photovoltaic Segment in Virginia, and reinforcement of its status in other stages

- (i) **Momentum of construction of projects in the United States:** The Company is currently executing construction works on projects with a capacity of approximately 416MWp in Virginia and Pennsylvania.
- (ii) **Purchase of project with a capacity of 65MWp:** After the Reporting Date, the Company acquired from America's leading renewable energy company a photovoltaic project in the United States which is located in Virginia, and which is in advanced stages of initiation, with a capacity of approximately 65 MWp. The project was acquired for a total of approximately USD 7.5 million, of which an initial amount of approximately USD 1.6 million has been paid, and the remainder will be paid against the selling company's fulfillment of milestones for payment. The project has received most of the required permits and approvals for construction.
- (iii) **Signing of power purchase agreements with maximum electricity prices:** During the Reporting Period and as of the Approval Date of the Report, with the aim of maximizing the Company's revenues in light of the high electricity prices, the Company signed power purchase agreements and agreements for the sale of green certificates which will be issued with respect to the production of electricity in all of the projects which are under construction and in pre-construction, with a capacity of approximately 416MWp, on an "As Generated" basis, for a period of 12-25 years. The Company also signed power purchase agreements on an "As Generated" basis for projects in advanced stages of initiation with a capacity of 125 MWp, for a period of 15-20 years.
- (iv) **Passage 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 energy programs in significant amounts.




The enactment of this law opens up a horizon for investment in the US renewable energy sector, with a tax benefit of at least 30%, in effect for another 10 years. The Company also believes that it will receive an at least of at least 10% with respect to the projects whose construction will begin between the years 2023-2026, mostly based on the panels which will be provided to it as part of its strategic collaboration with First Solar, and will allow the Company to meet the criteria for projects which are built using equipment manufactured in the United States.

In light of the above, the Company believes that the projects which will commence construction during the years 2022-2026 will be entitled for an ITC at a rate of at least 40%, and for some of the projects, also to an additional 10% with respect to investment in areas designated for economic development.

Presented below is the Company's analysis of the impact of the possible addition to the ITC rate on the Tax Partner's investment amount and on the Company's net

investment amount. For additional details regarding the enactment of the IRA, see Section 6.7 in Part A of the Report - Description of the Corporation's Business.

Presented in USD millions per 1MWp:

Rate of tax benefit	30%	40%	50%
 <b>Construction cost per 1MWp</b>	1.0-1.04	1.04-1.08	1.04-1.08
 <b>Expected investment of tax partner</b>	0.45-0.48	0.57-0.6	0.69-0.72
 <b>Equity required of the Company</b>	0.55-0.56	0.47-0.48	0.35-0.36

\* The required equity does not take into account back leverage financing.

- (v) **Negotiations regarding a financing transaction with attractive conditions at a scope of over USD 630 million from leading financial institutions in the United States:** As of the Approval Date of the Report, the Company is in negotiations regarding (i) the receipt of back leverage financing in the amount of up to USD 75 million in respect of Virginia Projects 1 and Virginia Projects 2, which will be used to repay equity which was provided by the Company; (ii) tax equity financing at a scope of up to USD 320 million, and back leverage financing at a scope of up to USD 240 million, to finance projects under construction and in pre-construction with a capacity of 416MWp. For additional details, see Note 14d(2) to the Financial Statements.

**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 3.1 below and Note 9b(2) to the Financial Statements.**

### 2.3. The Company's activity in Poland:

- (i) **Temporarily legislation in Poland to limit electricity prices:** 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 which established a cap on revenues from the sale of electricity, with respect to the period from December 1, 2022 to December 31, 2023 (which, as of the Approval Date of the Report, amounted to a total of PLN 345 per 1MWh of electricity produced from wind energy, and PLN 405 per 1MWh of electricity produced from photovoltaic facilities). Additionally, the cap on electricity prices with respect to projects which effectively became subject to the tender arrangements will be in the amount of the electricity price that was guaranteed for those projects upon winning the tariff tender.

In accordance with legal advice which the Company received, the above legislation does not apply to the sale of electricity within the framework of financial transactions

which do not involve the actual production of electricity, or to the sale of green certificates.

*In light of the above, during the Reporting Period and as of the Approval Date of the Report, the Company engaged, with the local broker to which it sells the electricity in Poland, in financial transactions which are not related to the actual sale of electricity, regarding the unwinding of fixed price transactions in which the Company engaged with respect to the months December 2022 - December 2023, for a total consideration of approximately NIS 170 million. It is clarified that, due to the nature of these transactions, the revenues from the above transaction are not subject to the provisions of the legislation to limit electricity prices.*

For additional details regarding the legislation, the Company's estimate regarding its impact on its revenue in 2023, and the Company's engagement with the Polish broker, see sections 6.2 and 6.5 in Part A of the Report – Description of the Corporation's Business, Note 9b(4)(b) to the Financial Statements.

**(ii) Amendment to power purchase agreements in Poland during the Reporting Period, and as of the Approval Date of the Report:**

During the Reporting Period and until the Approval Date of the Report, the Company engaged with the Polish broker to which it sells the electricity which it produces in Poland in several transactions and amendments to power purchase agreements in respect of all five of the wind farms which it owns in Poland. These transactions allowed to the Company engage, during the Reporting Period, in fixed price transactions at high electricity prices, instead of previous fixed price transactions. As a result of the above, the Company's revenues for 2022, with respect to its owned systems, increased in the amount of approximately NIS 105 million relative to the Company's forecast which it published in the first quarter of 2022, and its forecasts for 2023 increased in the amount of approximately NIS 195 million (including revenue from hedging transactions, or the unwinding thereof, and including the effect of the temporary legislation to limit electricity prices during the relevant period).

For additional details regarding the terms of the power purchase agreements and the amendments thereto, fixed price electricity transactions, and the Company's revenues from the sale of the electricity in Poland, see Note 32 to the financial statements.

**(iii) Completion of construction and commercial operation of 3 wind farms with an aggregate capacity of 182MW:** During the Reporting Period, construction works were completed and commercial operation began in the Banie 3 project and the Sepopol project, with a total capacity of 126MW. Additionally, in Q3 2022, construction was completed and feed-in of electricity commenced from the wind farm Banie 4 (56MW), which as of the Approval Date of the Report, is in the final stages of the run-in period, and approaching the commencement of commercial operation. The 3 projects have a guaranteed, CPI-linked tariff, for 15 years, which will begin no later than 5 years after the wind farms' date of commercial operation, insofar as the

Company chooses to enter the tender arrangement by no later than September 2023. For additional details, see the Company's immediate reports dated May 15, 2022 (reference number: 2022-01-058231) and July 31, 2022 (reference number: 2022-01-079146), section 3.1 below, and Note 9(B)(4) to the Consolidated Financial Statements.

- (vi) **Completion of construction of first photovoltaic project:** As part of the Company's efforts to substantiate its activity in the Photovoltaic Segment in Poland, the Company is approaching the completion of construction, and approaching commercial operation, of its first photovoltaic project in Poland, with a capacity of approximately 12MWp.
- (vii) **Amendment to the Distance Law - re-opening of the wind energy market to the initiation and construction of new projects:** In 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 Law was adopted which allows statutory planning of new wind farms, provided that the distance between 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 initiation stages, as well as the resumption of initiation activities with respect to additional projects in the wind energy segment.
- (viii) **Expansion of the series of projects in advanced stages of initiation and in initiation in the Wind Energy Segment and Photovoltaic Segment:** During the Reporting Period and until the Approval Date of the Report, the Company has continued to work on expanding the series of projects in initiation and development stages in Poland, in the wind and PV sectors. This activity, along with the amendment to the Distance Law, are expected to accelerate the Company's resumption of initiation, development and construction activities of new wind farms.

For additional details regarding commercially active projects, and projects under construction, in pre-construction, and in advanced initiation stages in Poland, see Section 3.1 above and Note 9b(3) to the Financial Statements.

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

- (i) **Commencement of the construction works of a wind farm in the Golan Heights with a capacity of 104MW - Clean Wind Energy Project:** During the Reporting Period the construction works in the project began, after a building permit was issued for the project in February 2022. In October 2022, the project

received approval for financial closing from the Electricity Authority, such that the project has a guaranteed tariff in the amount of 29.116 agorot per 1KWh (as of the Approval Date of the Report - in the amount of 29.2 agorot per KWh), over 20 years, CPI-linked. Upon the receipt of the tariff approval, the Company fulfilled all of the conditions for withdrawal by virtue of the project financing transaction in the amount of up to NIS 650 million. During the Reporting Period, the Company performed an initial withdrawal by virtue of the financing facility, in the amount of approximately NIS 18 million. For additional details, see the immediate reports dated October 24, 2022 (reference number 2022-01-129088) and June 15, 2022 (reference number 2022-01-074062), which are included herein, in their entirety, by way of reference.

Additionally, during the third quarter of 2022, the Company increased its holdings in Class B shares (economic interests) in the project to 80.5%, by purchasing shares from minority shareholders. For additional details regarding the project, including in connection with the series of agreements in which the Company engaged and the legal proceedings in respect of the land which is used in the project, see Section 3.1 below and Note 9b(5)(d) to the Financial Statements.

- (ii) **Construction of photovoltaic projects in Israel, construction completed on 137 MWp, with another 270 MWp under construction or approaching the commencement of construction:** During the Reporting Period, the Company completed the construction works on all of the 17 projects which it built as part of the third and fourth competitive processes which were published by the Electricity Authority, with a total capacity of 137MWp, of which 15 projects, with a capacity of 114MWp, commenced commercial operation.

The Company also began the construction works of the Julis ultra-high voltage project with a capacity of approximately 87MWp, after the project construction plan was approved by the National Infrastructure Committee and by the government. The Company is also preparing for the commencement of construction of projects for electricity production and storage in the Photovoltaic Segment with a capacity of approximately 60MWp (including 100MWh of storage), within the framework of competitive process 2 for facilities with integrated storage.

As part of the above, the Company completed the purchase of the main equipment for projects in pre-construction, including engaging with a wholly owned subsidiary of Tadiran Group Ltd. in a framework agreement for the provision of energy storage systems at a total cost of up to USD 85 million. For additional details, see Section 3.1 below and Note 9b(c)2 to the Financial Statements.

For additional details regarding commercially active projects, and projects under construction, in pre-construction and in advanced stages of initiation in Israel, see Section 3.1 below and Note 9b(1) to the Financial Statements.

## 2.5. Engagements for raising capital and financing transactions during the Reporting Period:

- (i) **Raising of public capital:** In January 2022 the Company completed a capital raising through a public issuance of shares in the gross total of approximately NIS 337 million. The Company's issued and paid-up capital increased by around 25.8 million shares in the capital raising. For additional information, see Note 16c in Part C of the Report - Financial Statements.
- (ii) **Capital raising through private issuance:** In August 2022, the Company completed a private allocation to an institutional investor of 26 million shares, against an investment of approximately NIS 339 million. For additional details, see Note 16c in Part C of the Report - Financial Statements.

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

## 2.6. 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 additional details regarding the Company's dividend policy, see Section 4 in Part A of the Report - Description of the Corporation's Business.

In accordance with the policy which was adopted, the Board of Directors resolved, on February 26, 2023, to determine that the dividend for 2023 will be in the total amount of 28 agorot per share, in the amount of 7 agorot 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 2022, the Company's Board of Directors resolved that the Company will distribute an additional dividend with respect to 2022, in the amount of 18 agorot per share, which will be paid together with the dividend for Q1 of 2023, whereby the total dividend amount for the first quarter will amount to a total of 25 agorot per share.

In accordance with the above, the Company announced a dividend distribution for the first quarter of 2023 in the amount of 25 agorot per share (approximately NIS 137 million in total), which will be paid in March 2023.

## 2.7. Environmental, Social, 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 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, 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 2021.

**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.**

**Presented below are the Company's main achievements in 2021:**

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** - in 2021, 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. The Company's activity has prevented the emission of 665,576 tons of greenhouse gases, and 1,142 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 46,214 million 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. Additionally, in 2021, 48% of the Company's vehicles were hybrid vehicles, and the Company's offices in Israel and in the United States are located in buildings bearing the LEED Platinum and Gold standards for green construction.

2. **Community and 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. During 2021, the Company donated USD 182,000 within the framework of long term collaborations with non-profit organizations and associations, and through the community donation program, and also invested USD 239,000 in community facilities 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. During 2021, no severe injuries were suffered by the Company's employees or by contract workers in its operational sites.
- (iii) **Employee development** - In 2021, 1,330 hours were invested in employee training - an average of 9.8 hours per employee. 902 hours were invested in employee training on the subjects of including workplace diversity and inclusion.

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 2021, around 43% of the members of the Company's Board are women, and around 40% of global management are women.
- (ii) **Board independence** - 57% of the Board members are independent directors.
- (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, 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.**

### 3. **Principal data regarding the Company's activities:**

The Company has systems for the production of electricity in the Photovoltaic 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, initiation 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 stages of initiation, 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 Approval Date of the Report, and it includes assessments of the Company or its intentions pertaining to the Company and/or the Group, as of the Reporting Date. It is hereby clarified that the actual results in respect of the above information may differ significantly from those expressed or implied based on that information, in whole or in part, inter alia due to the effects of business, economic and regulatory variables, and of the general risk factors which apply to the Company's activity, and their materialization is therefore uncertain.**

#### 3.1. **Principal details regarding the Company's connected systems, systems under construction, systems in pre-construction and systems in initiation stages, as of the Reporting Date:**

For the purpose of providing a general overview of the Company's activity as of the present date, presented below are tables presenting a summary description of commercially active projects, under construction, in pre-construction and in initiation stages:

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.

**Commercially active projects**

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

Country	Technology	Capacity (MW) (9)	Revenue source	Original construction cost	Project finance facility / Investment of Tax Partner in the United States (13)	Project results for the twelve month period ended December 31, 2022 (NIS in millions)				Forecasted project results in 2023 (NIS millions) (8)				Company's share
						Revenues	Gross profit	Project-specific FFO	Net cash flows after debt service / payment of share of the Tax Partner in the United States	Revenues	Gross profit	Project-specific FFO	Net cash flows after debt service / payment of share of the Tax Partner in the United States	
Total Israel (2)	Photovoltaic	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	130	100	76	18	147-155	111-117	87-93	24-28	199MWp through the Joint Venture (Israel) - the Company's share - 70% (91% in cash flow). All other projects are wholly owned (1)
Total Poland (3,4,10,11)	Wind	301 MW	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	655	354	323	288	288	477-487	418-428	350-360	326-336	100%
Total USA (6,7,12)	Photovoltaic	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.	586	308	41	31	29	20	50-56	36-42	24-30	16-20	In respect of 117MWp: 100% In respect of 107MWp: 58%. Share in results and in net cash flows - 100% (5)
<b>Total commercially active projects</b>		<b>855</b>		<b>3,365</b>	<b>2,158</b>	<b>525</b>	<b>454</b>	<b>393</b>	<b>326</b>	<b>674 - 698</b>	<b>565 - 587</b>	<b>461 - 483</b>	<b>366 - 384</b>	

- 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) During the Reporting Period, revenues from the winning projects in the third and fourth processes amounted to a total of approximately NIS 25 million. The above information includes projects with a capacity of 23MW from competitive process 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 approximately 65% of the expected production of electricity in each of the wind farms. The Company has the option to choose not to enter the tender arrangement, and to waive the guaranteed tariff until September 2023, in respect of the two wind farms. 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 Reporting Period, revenues during the testing period and after the receipt of a permanent production license, from the Banie 3 and Sepopol projects, amounted to a total of approximately NIS 93 million. During the testing period, finance expenses in respect of the project loans for these projects were capitalized to the cost of the systems. FFO during the testing period therefore does not include finance expenses in respect of the projects.
- 4) The wind farm Banie 4 won a guaranteed, CPI-linked tariff (as of the Reporting Date - PLN 275-280 per 1MW), for 15 years, in respect of electricity output at an average rate of approximately 80% of the expected electricity production. The Company has the possibility to choose not to enter into the tender arrangement, and to waive the guaranteed tariff until August 2024. 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 Reporting Period, revenues during the testing period of stage 4 of the Banie project amounted to a total of approximately NIS 33 million. The finance expenses in respect of the project loan during the testing period were capitalized to the cost of the systems, and therefore, FFO during the testing period did not include finance expenses in respect of the project. As of the publication date of the report, the project is awaiting the receipt of a permanent production license.
- 5) The Company invests senior capital in the US Venture at a return rate of LIBOR + 7%, and no less than 8.5% per year. All of the Venture's distributable cash flows will first be paid to the Company, until the repayment of the full amount of capital which was provided by the Company, plus the accrued returns. After the capital has been repaid, plus returns, the distributable cash flows will be distributed to the owners (the Company and the partner in the venture), in accordance with their respective shares in the venture.  
 The agreement vis-à-vis the Tax Partner in the United States (for additional details, see Note 9b(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.
- 6) During the Reporting Period, revenues from Virginia Projects 2 amounted to a total of approximately NIS 23 million.
- 7) 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 benefits, in the amount of approximately USD 10 million, for its own uses.
- 8) The financial data are based on an exchange rate of NIS 3.55 to USD 1, and on an exchange rate of NIS 0.8 to PLN 1.
- 9) Capacity details: Wind - In MW; Photovoltaic - In MWp; Storage - In MWh.
- 10) The projected results for 2023 in Poland include revenue from hedging transactions, or the unwinding thereof, after the effect of the temporary legislation to limit electricity prices. For additional details regarding the legislation in Poland and its possible impact, see Section 2.2 above.
- 11) Revenues in Poland in 2022 included income from damages due to the unwinding of fixed price financial transactions. For additional details, see Note 9(3)4(c)2 to the Consolidated Financial Statements.

- 12) The original construction cost represents cost to third parties, including financing expenses during the construction period, tax payments with respect to initiation and construction profits, less the tax partner's investment with respect to the tax benefit (ITC).
- 13) The Company is in advanced negotiations towards the receipt of additional financing in the amount of approximately USD 75 million with respect to Virginia Projects 1 and 2, in addition to the tax partner's funding.

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

**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) (4)	Revenue source	Electricity sale tariff per produced 1KWh (in NIS)	Expected construction cost (3)	Project finance facility / expected investment of tax partner in the United States	Projected date of commercial operation	Cost invested as of the Reporting Date	Projected project results in the first full year of operation (5)				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 United States	
Israel	Clean wind energy	Wind	104 MW	Sale to the Electric Corporation at a fixed, CPI-linked tariff, for 20 years after the date of commercial operation	0.293	650-750	-77650	First half of 2024	356	90-98	73-78	53-61	29-33	80.5%. Share in results and in net cash flows - 100% (2)
	First competitive process for ultra-high voltage systems	Photovoltaic	87MWp	CPI-linked tariff for 23 years	0.155 (8)	240-280	-77255	Second half of 2023	135	22-26	16-20	10-14	3-7	70%. Share in results and in net cash flows - 91% (7)
	Second competitive process for high voltage systems including storage capabilities (9)	Photovoltaic including storage capabilities	60 (Including 100MWh of storage)	CPI-linked tariff until the end of 2045	0.188	205-245	Not yet determined	Q1 2024	80	17-21	11-15	11-15	11-15	100%
Poland	Lubanowo	Photovoltaic	12MWp	Sale on the market (including fixed price transactions) and/or CPI-linked tender price		30-35	Not yet determined	Q1 2023	23	6-8	4-6	4-6	4-6	100%
USA	Projects under construction in Virginia (6) (VA)	Photovoltaic	312MWp	Electricity - Long term agreement for sale, at a fixed price, to the Electric Corporation or to the end consumer. Green certificates - Long term sale agreement at a fixed price		715-755	750-790	In 2023	297	105-115	88-94	52-56	21-25	In respect of 189MWp: 100% In respect of 123MWp: 58%. Share in results and in net cash flows - 100% (1)
	Project under construction in Pennsylvania (6) (PA)	Photovoltaic	104MWp	Electricity - Long term agreement for sale, at a fixed price, to the Electric Corporation or to the end consumer. Green certificates - Long term sale agreement at a fixed price		265-305	265-305	Q4 2023	56	38-44	33-37	21-25	9-13	100%
Total under construction and in pre-construction			679			2105 - 2370				278 - 312	225 - 250	151 - 177	77 - 99	

- 1) The Company invests senior capital in the US Venture at a return rate of LIBOR + 7%, and no less than 8.5% per year. All of the Venture's distributable cash flows will first be paid to the Company, until the repayment of the full amount of capital which was provided by the Company, plus the accrued returns. After the capital has been repaid, plus returns, the distributable cash flows will be distributed to the owners (the Company and the partner in the venture), in accordance with their respective shares in the venture.

The information presented above is based on the assumption that the agreement which will be signed with the Tax Partner in the United States will include the specification, inter alia, of 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 are expected to be used by the Company. In the above table, the Company's share in the net cash flows are presented after the payment of the Tax Partner's expected share.

- 2) 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.
- 3) The original construction cost represents cost to third parties, including financing expenses during the construction period, tax payments with respect to initiation and construction profits, less the tax partner's investment with respect to the tax benefit (ITC).
- 4) Capacity details: Wind - In MW; Photovoltaic - In MWp; Storage - In MWh.
- 5) The financial data are based on an exchange rate of NIS 3.55 to USD 1, and on an exchange rate of NIS 0.8 to PLN 1.
- 6) Assuming that the Tax Partner's investment will amount to a rate of 40%, pursuant to the new IRA law. For details, see Section 2.2 above.
- 7) 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.
- 8) 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.
- 9) The projected expected revenues are based on the electricity tariff under the arrangement. It is noted that in accordance with the market arrangement, the Company may engage with a private provider instead of the tariff arrangement, and in that case, the price of electricity is expected to increase.

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

**Projects in advanced stages of initiation**

Projects in advanced stages of initiation 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 initiation stages which have won a guaranteed tariff;

Country	Project	Technology	Capacity (MW) (4)	Revenue source	Electricity sale tariff per produced 1KWh (in NIS)	Projected date of commercial operation	Status	Projected construction cost	Cost invested as of the Reporting Date	Projected income in first year of full operation (6)	Company's share in the project
Israel	Second competitive process for high voltage systems including storage capabilities (6)	Photovoltaic including storage capabilities	120-140 (Including 220MWh of storage)	CPI-linked tariff until the end of 2045	0.188	In 2024	In planning and development stages	425-475	-	36-40	100%
	Photovoltaic project with a capacity of 30MW, including 48MWh of storage	Photovoltaic	30MWp (including 48MWh of storage)	Sale to the customer at a CPI-linked fixed tariff, for 23 years after the date of commercial operation	0.192	First half of 2024	In planning and development stages	100-120	-	8-10	100%
Poland	Nowa karczwa project	Wind	90 MW	Sale on the market (including fixed price transactions) and/or CPI-linked tender price		In 2024	The site has a building permit. In the grid connection approval process	500-540	-	120-130	100%
USA	Projects in advanced stages of initiation in Virginia (2) (VA)	Photovoltaic	455MWp	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 2023 and 2024	In planning and development stages	1,050-1,090 (3)	50	149-159	In respect of 364MWp: 100% In respect of 91MWp: 58%. Share in results and in net cash flows - 100% (1)
<b>Total in advanced initiation:</b>			<b>695 - 715</b>					<b>2075 - 2225</b>			

- 1) The Company invests senior capital in the US Venture at a return rate of LIBOR + 7%, and no less than 8.5% per year. All of the Venture's distributable cash flows will first be paid to the Company, until the repayment of the full amount of capital which was provided by the Company, plus the accrued returns. After the capital has been repaid, plus returns, the distributable cash flows will be distributed to the owners (the Company and the partner in the venture), in accordance with their respective shares in the venture.
- 2) Assuming that the Tax Partner's investment will amount to a rate of 40%, pursuant to the new IRA law. For details, see Section 2.2 above.
- 3) The original construction cost represents cost to third parties, including financing expenses during the construction period, tax payments with respect to initiation and construction profits, less the tax partner's investment with respect to the tax benefit (ITC).
- 4) Capacity details: Wind - In MW; Photovoltaic - In MWp; Storage - In MWh.
- 5) The financial data are based on an exchange rate of NIS 3.55 to USD 1, and on an exchange rate of NIS 0.8 to PLN 1.
- 6) The projected expected revenues are based on the electricity tariff under the arrangement. It is noted that in accordance with the market arrangement, the Company may engage with a private provider instead of the tariff arrangement, and in that case, the revenues are expected to increase.
- 7)

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

### **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	Photovoltaic (including storage capabilities)	500 MWp
	Wind	110 MW
	Storage	500 MWh
USA	Photovoltaic	5,065 MWp
	Storage	6,300 MWh
Poland	Wind	450 MW
	Photovoltaic	200 MWp
	Storage	50 MWh
Total photovoltaic and wind projects in initiation stages		6,325 MW
Total storage projects in initiation stages		6,850 MWh

- 1) Capacity details: Wind - In MW; Photovoltaic - In MWp; Storage - In MWh.

**\* Includes Forward-Looking Information**

The information provided in Section 3 above, in respect of projects under construction or in pre-construction, projects in advanced stages of initiation and projects in stages of initiation, 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).

### **3.2. Development and initiation activity in the Photovoltaic Segment:**

- **Initiation Activities in the Photovoltaic Segment in Israel**

For details regarding the Company's initiation activities, see Section 3.1 above, Section 7.1b in Part A of the Report - Description of the Corporation's Business, and Notes 15a(1) and 14b(1) in Part C of the Report - Financial Statements.

- **Initiation Activities in the Photovoltaic Segment in the United States**

For details regarding the Company's activities in the United States, see Section 3.1 above, Section 7.1c in Part A of the Report - Description of the Corporation's Business, and Note 14b(2) and 15a(2) in Part C of the Report - Financial Statements.

- **Initiation Activities in the Photovoltaic Segment in Poland**

For details regarding the Company's activities in Poland, see Section 3.1 above, Section 7.1.d in Part A of the Report - Description of the Corporation's Business, and Note 14b(2) and 15a(3) in Part C of the Report - Financial Statements.

### **3.3. Development and initiation activity in the Wind Segment:**

- **Initiation activities in the Wind Energy Segment in Israel**

For details regarding the Company's activity, see Section 3.1 above, Section 7.2 in Part A of the Report - Description of the Corporation's Business, and Notes 14b(2) and 15a(1)(3) in Part C of the Report - Financial Statements.

- **Initiation activities in the Wind Energy Segment in Israel**

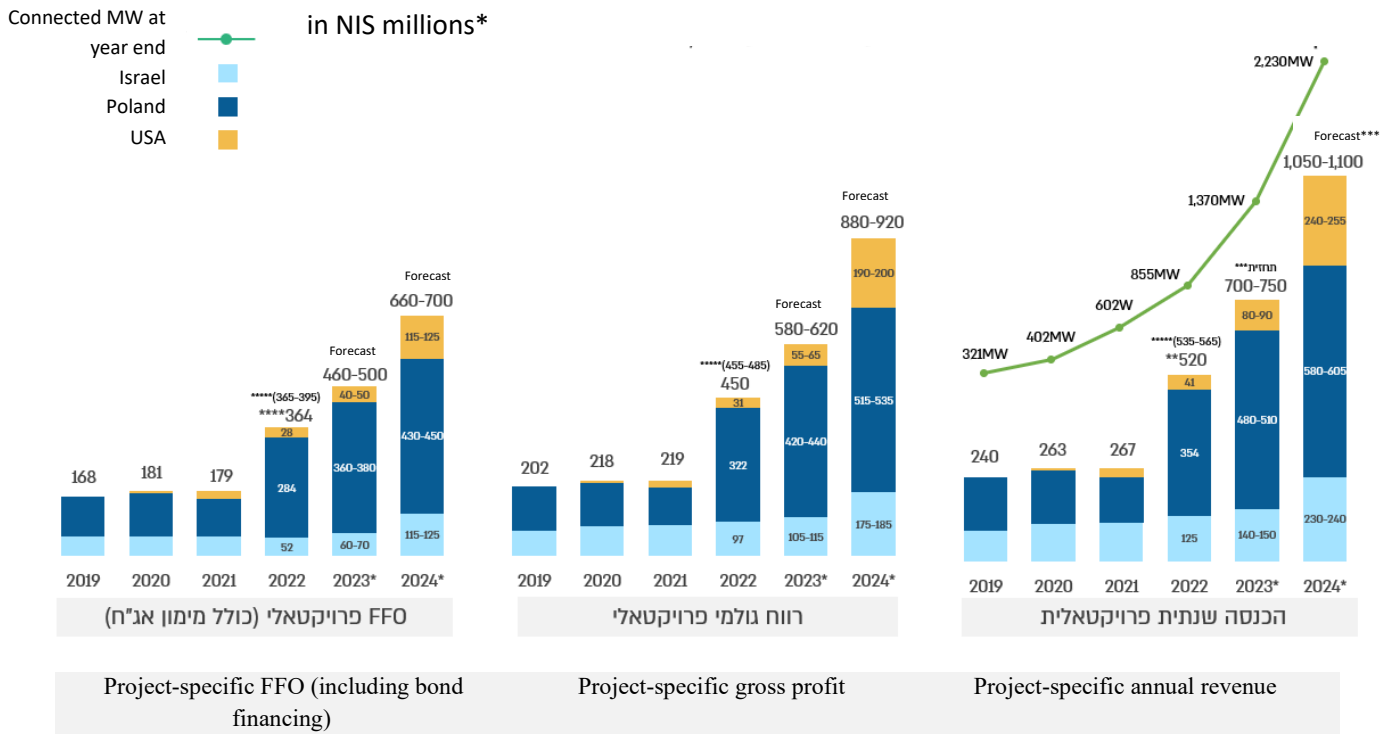
For details regarding the Company's activities in Poland, see Section 3.1 above, Section 7.2d in Part A of the Report - Description of the Corporation's Business, and Notes 14b(2) and 15a(3) in Part C of the Report - Financial Statements.

3.4. Operating results and forecasts as of the Approval Date of the Report:

| Forecasts | | Forecasts | | Forecasts |

**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.

\*\* The Company concluded 2022 with lower revenue than its forecasts, in the amount of NIS 15 million, due to the production of electricity in lower scopes than expected, due to poor wind conditions, particularly during the fourth quarter of 2022, as well as payments to a designated fund which was created by the government of Poland, based on the legislative provisions in Poland. For additional details, see Section 6.2 in Part A of the Report - Description of the Corporation's Business.

\*\*\* The revenue forecast for 2023 included revenue from projects which, as of the publication date of the financial statements for Q4 2022, had the following statuses: NIS 670-695 million commercially active, NIS 30-55 million under construction / in pre-construction.

The revenue forecast for 2024 included revenue from projects which, as of the publication date of the financial statements for Q4 2022, had the following statuses: NIS 775-795 million commercially active, NIS 235-255 million under construction / in pre-construction, and NIS 40-50 million in advanced stages of initiation.

\*\*\* Project FFO for 2022 does not include administrative, headquarter and other expenses, initiation expenses, and payroll and associated expenses, in the amount of approximately NIS 63 million, and does not include project financing expenses, net, in the amount of approximately NIS 3 million.

\*\*\*\* In 2022, data in parentheses includes the range of the forecast which was published by the Company in previous reports.

The above forecasts in respect of 2023 and 2024 constitute forward looking information.

The Company's current forecasts for 2023 are approximately NIS 195 million greater than the Company's forecasts for 2023, which were given last year ("Last Year's Forecasts"), following an increase of the forecasts last year in the amount of approximately NIS 295 million, due to the

**amendment to power purchase agreements and fixed price transactions in the second half of 2022, and the reduction of approximately NIS 100 million in the revenue forecast for 2023, due to the enactment the legislation to establish a temporary cap on electricity prices in Poland.**

**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 initiation expenses) before financing, taxes, depreciation and amortization. **“Project-specific FFO”** - Cash flows from the operating activities involving projects. 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 with respect thereto, 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) The projected results for 2023 in Poland include revenue from hedging transactions, or the unwinding thereof, after the effect of the temporary legislation to limit electricity prices. For additional details regarding the legislation in Poland and its possible effects, see sections 6.2 and 6.5 in Part A of the Report - Description of the Corporation's Business, and section 2.3(i) above.
  - 2) Operating results are based on the Company's commercially active 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 stages of initiation, and the financing transactions with respect thereto, including cash interest expenses in respect of the bonds (Series A and B):
  - 3) Exchange rates which were used to calculate the forecast:
    - PLN 1 to NIS 0.8
    - USD 1 to NIS 3.55
- D. Sensitivity analysis regarding the Company's projected results for 2023:  
 Different variables, mostly including weather conditions and production ability, market prices of electricity in the United States, 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 2023.

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 2023 forecast, in light of the fixed price transactions which the Company performed (in millions of NIS):

1. Output:
  - A change of 10% in electricity output in Poland would affect the Company's revenues by approximately NIS 33 million.

- A change of 10% in electricity output in the United States would affect the Company's revenues by approximately NIS 10 million.
  - A change of 10% in electricity output in Israel would affect the Company's revenues by approximately NIS 14 million.
2. Prices:
- A change of 10% in the market price of electricity in Poland would not affect the Company's revenues, so long as the temporary legislation to restrict electricity prices remains in effect.
  - A change of 10% in the market price of green certificates in Poland would not significantly affect the Company's revenues.
  - A change of 10% in the market price of electricity in the United States would affect the Company's revenues by approximately NIS 2 million.
3. Exchange rates:
- A change of 10% in the PLN/NIS exchange rate would affect the Company's revenues by approximately NIS 49 million.
  - A change of 10% in the USD/NIS exchange rate would affect the Company's revenues by approximately NIS 8 million.

The projected results are also sensitive to the grid connection dates of projects under construction, in pre-construction and in advanced stages of initiation. 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

### 3.5. Stock exchange indices

The Company's shares are listed for trading on the Tel Aviv Stock Exchange Ltd. As of the Approval Date of the Report, 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.

### 3.6. Specific disclosure regarding the effects of inflation on the Company

For additional details 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.

**The Board of Directors' explanation of the Company's business situation, results of operations, shareholders' equity, cash flows and other matters**

**4.1. Statement of financial position**

Presented below are the main items in the statement of financial position, in thousands of NIS:

	<b>As of December 31 2022</b>	<b>As of December 31 2021</b>
	<b>NIS in thousands</b>	
	<b>(Audited)</b>	<b>(Audited)</b>
<b>Assets</b>		
<b><u>Current assets</u></b>		
Cash and cash equivalents	465,119	575,110
Dedicated deposit	34,435	30,433
Trade and other receivables	178,797	230,283
Green certificates	22,424	13,926
<b>Total current assets</b>	<b>700,775</b>	<b>849,752</b>
<b><u>Non-current assets</u></b>		
Long term pledged deposit and restricted cash	57,205	51,223
Right-of-use asset and fixed assets	403,949	302,478
Connected electricity production systems	2,910,128	1,915,832
Systems under construction and initiation	1,813,125	1,492,651
Investment in associates and joint ventures	-	10,429
Other receivables	140,114	116,607
Deferred tax assets, net	56,935	44,083
<b>Total non-current assets</b>	<b>5,381,456</b>	<b>3,933,303</b>
<b>Total assets</b>	<b>6,082,231</b>	<b>4,783,055</b>
<b>Liabilities and equity</b>		
<b><u>Current liabilities</u></b>		
Current maturities of long term loans	77,013	61,613
Current maturities of lease liabilities	16,235	9,745
Current maturities of bonds	74,871	74,871
Trade and other payables	306,513	238,886
Short term liability in respect of agreement with Tax Partner	80,032	86,269
<b>Total current liabilities</b>	<b>554,664</b>	<b>471,384</b>
<b><u>Non-current liabilities</u></b>		
Loans from financial institutions	1,267,162	1,041,650
Bonds and convertible bonds	1,044,267	1,108,824
Lease liability and other long-term liabilities	630,081	356,027
Long term liability in respect of agreement with Tax Partner and others	164,511	185,405
Deferred tax liability, net	91,258	106,516
<b>Total non-current liabilities</b>	<b>3,197,279</b>	<b>2,798,422</b>
<b><u>Equity</u></b>		
<b>Total equity attributable to the owners of the Company</b>	<b>2,328,630</b>	<b>1,510,963</b>
<b>Non-controlling interests</b>	<b>1,658</b>	<b>2,286</b>
<b>Total equity</b>	<b>2,330,288</b>	<b>1,513,249</b>
<b>Total liabilities and equity</b>	<b>6,082,231</b>	<b>4,783,055</b>

**Cash and cash equivalents** - As of the Reporting Date, the balance amounted to a total of approximately NIS 465 million, as compared with a total of approximately NIS 575 million at the end of 2021, a decrease of approximately NIS 110 million. The decrease was mostly due to investments in construction and initiation of projects in the United States, Israel and Poland in the amount of approximately NIS 1,131 million, partial repayments of bonds and long term loans in the amount of approximately NIS 150 million, and a dividend which was paid to Company shareholders in the amount of approximately NIS 107 million. This decrease was partially offset by cash inflows which arose for the Company from its operating activities in the amount of approximately NIS 285 million, proceeds from equity issues which the Company performed during the Reporting Period in the amount of approximately NIS 703 million, and the receipt of long-term loans from financial institutions in the amount of approximately NIS 250 million.

**Pledged deposit** - As of the Reporting Date, the balance amounted to a total of approximately NIS 34 million, as compared with a total of approximately NIS 30 million as of the end of 2021, an increase of approximately NIS 4 million. The increase was due to exchange differences on restricted cash with respect to a part of the tax partner's investment in Virginia Projects 2, until the Company's fulfillment of the conditions for use. For additional details, see Note 5 to the Financial Statements.

**Trade and other receivables** - As of the Reporting Date, the balance amounted to a total of approximately NIS 179 million, as compared with a total of approximately NIS 230 million at the end of 2021, a decrease of approximately NIS 51 million, mostly due to the decrease in fair value of hedging transactions on the PLN and USD, due to the devaluation of the NIS, in the amount of approximately NIS 60 million, the receipt of VAT refunds with respect to construction activity in Poland in the amount of approximately NIS 57 million, and the repayment of a loan which was given to the Company's CEO. The decrease was partly offset by the increase in the balance of trade receivables due to the connection of new facilities to the power grid during the Reporting Period, and higher electricity prices in Poland at the end of 2022.

**Green certificates** - As of the Reporting Date, the balance amounted to a total of approximately NIS 22 million, as compared with a total of approximately NIS 14 million as of the end of 2021, an increase of NIS 8 million.

**Connected electricity production systems** - As of the Reporting Date, the balance amounted to a total of approximately NIS 2,910 million, as compared with a balance of approximately NIS 1,916 million as of the end of 2021, an increase in the amount of approximately NIS 994 million. The increase was mostly due to the commercial operation of projects in Israel, Poland and the United States, and the reclassification of the cost of the systems from systems under construction to connected electricity production systems, in the amount of approximately NIS 937 million, and due to the impact of changes in the PLN and USD exchange rates in the amount of approximately NIS 125 million, which was partially offset by current depreciation.

**Systems under construction and initiation** - As of the Reporting Date, the balance amounted to a total of approximately NIS 1,813 million, as compared with a total of approximately NIS 1,493 million as of the end of 2021, an increase of approximately NIS 320 million. The increase was due to the investment in the initiation and construction of projects in the United States, Israel and Poland, after offsetting amounts which were classified under connected electricity production systems. For additional information, see Note 9 in Part C of the Report - Financial Statements.

**Other receivables** - As of the Reporting Date, the balance amounted to a total of approximately NIS 140 million, as compared with a balance of approximately NIS 117 million at the end of 2021, an increase of approximately NIS 23 million. The increase was mostly due to the increase in value of cap options to hedge against the Wibor interest rate in Poland.

**Deferred tax assets, net** - As of the Reporting Date, the balance amounted to a total of approximately NIS 57 million, as compared with a total of approximately NIS 44 million as of the end of 2021, an increase of approximately NIS 13 million. The increase was mostly due to the creation of deferred taxes with respect to increases in the fair value of electricity hedge transactions in the United States, which were carried to the Company's other comprehensive income.

**Trade and other payables** - As of the Reporting Date, the balance amounted to a total of approximately NIS 307 million, as compared with a total of approximately NIS 239 million at the end of 2021, an increase of approximately NIS 68 million, mostly due to changes in the value of hedging transactions in the United States, due to the increase in electricity prices and changes in the value of currency hedge transactions, which was partly offset by the decrease in liabilities to equipment suppliers and EPC contractors. For additional information, see Note 12 to the financial statements.

**Liability with respect to agreements with Tax Partner (short term and long term)** – The decrease in the item, in the amount of approximately NIS 27 million, was mostly due to the devaluation of the NIS relative to the USD, and the promotion of the liability's value of time, which was partly offset by current repayments (mostly by way of tax benefits) of the liability to the tax partner with respect to Virginia Projects 1 and 2. For additional information, see Note 9b(2)(b) to the Financial Statements.

**Loans from financial institutions and current maturities of loans** - As of the Reporting Date, the balance amounted to a total of approximately NIS 1,344 million, as compared with a balance of approximately NIS 1,103 million at the end of 2021, an increase of approximately NIS 241 million. The increase was mostly attributed to the acceptance of loans in Israel in respect the third and fourth competitive processes (137MWp), and the Clean Wind Energy Project in the amount of approximately NIS 137 million, and in respect of the systems of Banie Stage 3, Banie Stage 4 and Sepopol in Poland, in the amount of approximately NIS 113 million. This increase was partly offset by current principal payments in respect of the loans.

**Bonds and convertible bonds** - As of the Reporting Date, the balance amounted to a total of approximately NIS 1,119 million, as compared with a balance of approximately NIS 1,184 million as of the end of 2021, a decrease of approximately NIS 65 million. The decrease was mostly due to the repayment of the principal of the bonds (Series A). For additional details, see Note 14d(7) to the Financial Statements.

**Other long term liabilities** - As of the Reporting Date, the balance amounted to a total of approximately NIS 258 million, as compared with a total balance of approximately NIS 85 million as of the end of 2021, an increase of approximately NIS 173 million. The increase was mostly due to the increase in fair value of liabilities in respect of transactions to hedge electricity prices in the United States, in light of the increase in electricity prices during the period, the effect of the increase of the PLN and USD exchange rates in the amount of approximately NIS 38 million, and the increase in removal and restoration liabilities, mostly due to the construction of new projects.

**Equity** – As of the Reporting Date, equity attributable to the Company's owners amounts to approximately NIS 2,329 million, compared with shareholders' equity attributable to the owners of the Company of approximately NIS 1,511 million as of December 31, 2021. The change in equity was mostly due to the equity issuances which were performed during the Reporting Period in the amount of approximately NIS 703 million, profit attributable to the Company's shareholders in the amount of approximately NIS 237 million, and the increase in the capital reserve from translation differences (including a hedge on the investment in foreign operations), which were partly offset by the decrease in the capital reserve for cash flow hedging (including the value of time) in the amount of approximately NIS 18 million, and the payment of a dividend in the amount of approximately NIS 107 million.

## 4.2. Operating results

Presented below are the main operating results, in thousands of NIS (including quarterly distribution in 2022):

	For the year ended							
	December 31			Q4	Q3	Q2	Q1	Q4
	2022	2021	2020	2022				2021
	NIS in thousands			NIS in thousands				
	(Audited)			(Unaudited)				
<b>Revenues</b>								
Revenues from the sale of electricity	446,326	200,788	201,833	157,902	119,598	97,991	70,835	50,148
Revenues from the production of green certificates	56,084	60,049	59,970	13,629	9,406	12,371	20,678	21,190
Other revenues, net	24,915	5,789	1,266	23,853	437	296	329	4,780
	527,325	266,626	263,069	195,384	129,441	110,658	91,842	76,118
<b>Expenses</b>								
Operating expenses	54,688	38,973	36,981	11,962	16,101	12,470	14,155	11,257
Payroll, headquarters and other	66,718	40,915	30,310	20,330	17,456	15,299	13,633	13,871
	121,406	79,888	67,291	32,292	33,557	27,769	27,788	25,128
<b>Profit before financing, taxes, depreciation and amortization (EBITDA)</b>								
	405,919	186,738	195,778	163,092	95,884	82,889	64,054	50,990
Capital gains from sale of investee partnership	18,098	12,363	-	-	-	-	18,098	-
Depreciation and amortization	(105,797)	(81,249)	(80,328)	(28,846)	(29,374)	(26,195)	(21,382)	(20,929)
<b>Profit before financing and taxes</b>	318,220	117,852	115,450	134,246	66,510	56,694	60,770	30,061
Financing expenses, net	(82,359)	(47,605)	(23,572)	(14,430)	(23,536)	(23,489)	(20,904)	(10,969)
<b>Profit after financing, net</b>	235,861	70,247	91,878	119,816	42,974	33,205	39,866	19,092
Company's share in the results of associates and joint ventures	-	1,320	(141)	-	-	-	-	230
<b>Profit before taxes on income</b>	235,861	71,567	91,737	119,816	42,974	33,205	39,866	19,322
Taxes on income	(57,766)	(23,188)	(25,215)	(30,105)	(9,343)	(8,634)	(9,684)	(6,492)
Tax income from the Tax Partner	57,815	30,825	11,299	15,672	14,653	14,196	13,294	9,827
<b>Income for the period</b>	235,910	79,204	77,821	105,383	48,284	38,767	43,476	22,657
Profit for the period attributable to the owners of the Company	236,690	79,319	77,209	105,585	48,315	38,929	43,861	22,800
Profit (loss) for the year attributable to non-controlling interests	(780)	(115)	612	(202)	(31)	(162)	(385)	(143)
<b>Total profit for the period</b>	235,910	79,204	77,821	105,383	48,284	38,767	43,476	22,657

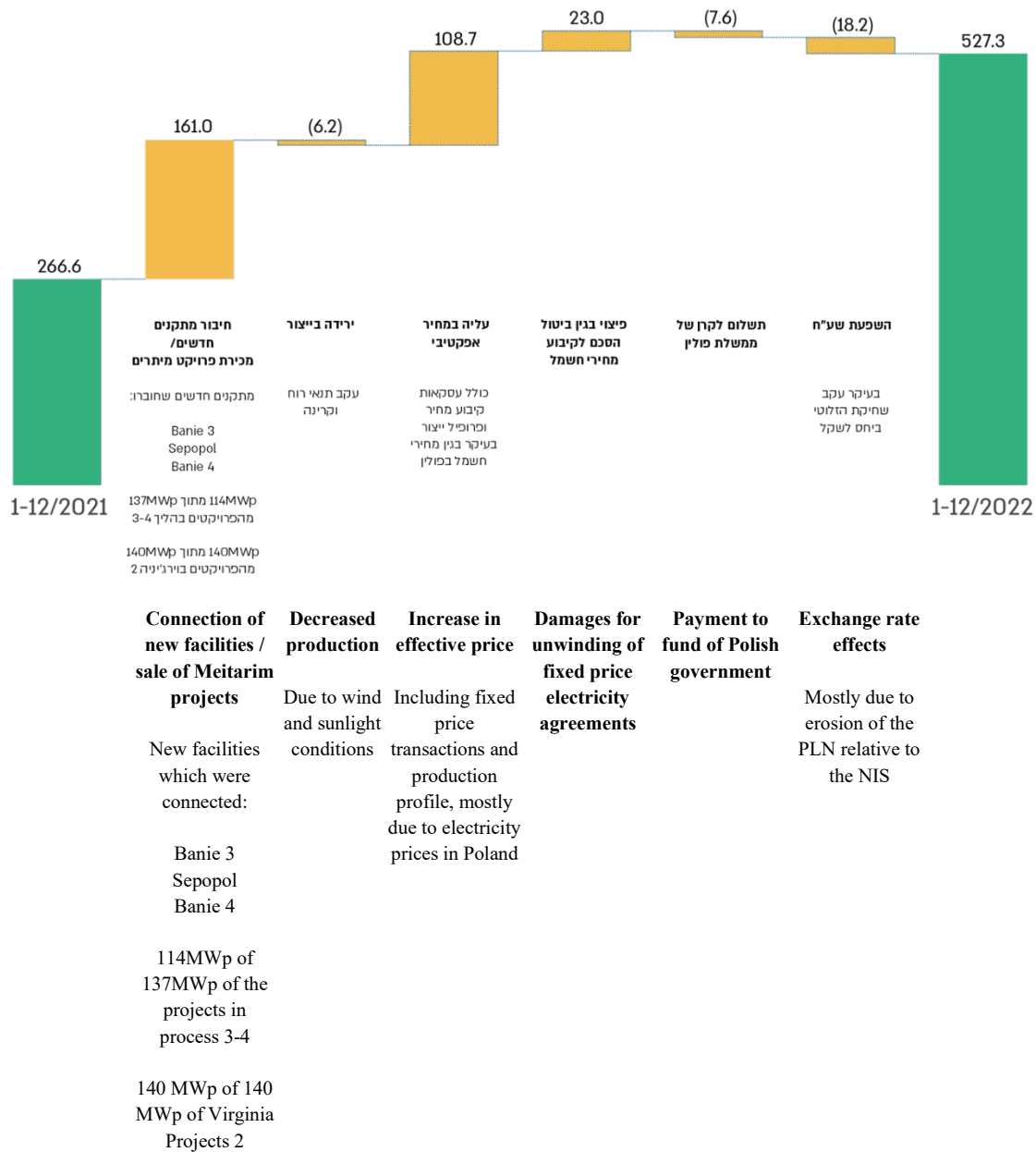
**4.3. Additional details**

	<b>For the year ended December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b><u>Data regarding earnings per share (*)</u></b>			
Income per share	1.00	0.55	0.57
Profit before financing, taxes, depreciation and	0.77	0.38	0.48
FFO per share	0.58	0.26	0.32
Earnings per share - basic	0.25	0.16	0.17

**4.4. Main explanations for the operating results**

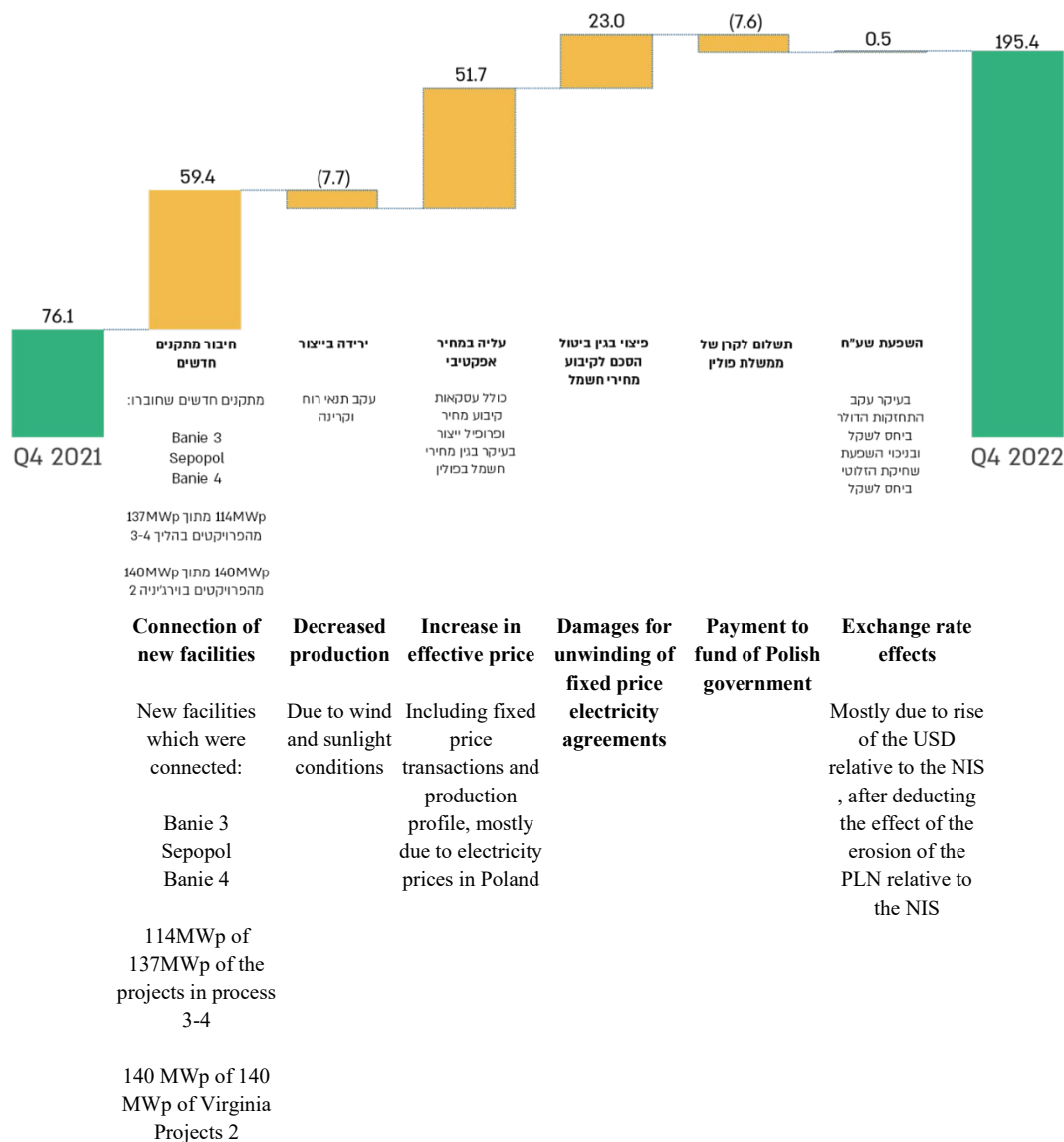
**The Company's revenues** from the sale of the electricity, from the production of green certificates, and from other revenues, amounted during the Reporting Period to approximately NIS 527 million, as compared with total revenues of approximately NIS 267 million in the corresponding period last year, an increase in the amount of approximately NIS 260 million.

Presented below is a diagram specifying the main changes in revenue during the Reporting Period, relative to the corresponding period last year:



In the fourth quarter of 2022 (hereinafter: the “Fourth Quarter”), the Company’s revenues from electricity sales, from the production of green certificates and from other revenue sources, amounted to NIS 195 million, as compared with a total of NIS 76 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 Reporting Period amounted to a total of approximately NIS 55 million, as compared with a total of approximately NIS 39 million in the corresponding period last year, an increase of approximately NIS 17 million.

The increase was mostly due to the recording of operating expenses from projects which had not yet become commercially active in the corresponding period, the impairment of green certificates in Poland in the amount of approximately NIS 4 million, and the increase in expenses with respect to loss of electricity due to the increase in the price of electricity.

Operating expenses in the fourth quarter amounted to a total of approximately NIS 12 million, as compared with a total of approximately NIS 11 million in the corresponding quarter last year, an increase of approximately NIS 1 million.

**Payroll, headquarter and other expenses** - Payroll, headquarter and other expenses during the Reporting Period amounted to a total of approximately NIS 65 million, as compared with a total of approximately NIS 41 million in the corresponding period last year, an increase of approximately NIS 25 million.

Payroll, headquarter and other expenses in the fourth quarter amounted to a total of approximately NIS 20 million, as compared with a total of NIS 14 million in the corresponding quarter last year, an increase of approximately NIS 6 million.

The increase in payroll, headquarter and other 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 due to the approval of a new long-term options plan.

**Depreciation and amortization** - Depreciation expenses during the Reporting Period amounted to a total of approximately NIS 106 million, as compared with a total of approximately NIS 81 million in the corresponding period last year.

Depreciation expenses in the fourth quarter amounted to a total of approximately NIS 29 million, as compared with a total of approximately NIS 21 million in the corresponding quarter last year.

The increase was mostly due to the recording of depreciation expenses from projects which had not yet become commercially active in the corresponding periods last year.

**Net financing expenses** - Net financing expenses in the Reporting Period amounted to a total of approximately NIS 82 million, as compared with a total of approximately NIS 48 million in the corresponding period last year, an increase in the amount of approximately NIS 35 million. The increase in financing expenses was due to the impact of the CPI's increase in Israel at a rate of 5.3%, as compared with the CPI's increase at a rate of 2.4% in the corresponding period last year (approximately NIS 28 million), additional withdrawals from long term financing facilities (approximately NIS 13 million), and due to the extension of bond series (Series A and B) in the fourth quarter of last year. This increase was offset by the increase in borrowing costs which were capitalized to qualifying assets.

Net financing expenses in the fourth quarter amounted to a total of approximately NIS 14 million, as compared with a total of approximately NIS 11 million in the corresponding quarter, an increase of approximately NIS 3 million, mostly due to additional withdrawals from long term financing facilities (approximately NIS 7.7 million), and the effect of the CPI's increase in Israel in the fourth quarter of 2022 at a rate of 0.8%, as compared with the increase of the CPI at a rate of 0.2% in the corresponding quarter (approximately NIS 6 million).

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 Reporting Period, the Company recorded tax expenses in the amount of approximately NIS 58 million, as compared with approximately NIS 23 million in the corresponding period last year, an increase of approximately NIS 35 million.

Tax on income expenses in the fourth quarter amounted to a total of approximately NIS 30 million, as compared with a total of approximately NIS 6 million in the corresponding quarter last year, an increase of approximately NIS 24 million.

**Tax income from tax partner** - Income from the tax partner during the Reporting Period amounted to a total of approximately NIS 58 million, as compared with a total of approximately NIS 31 million in the corresponding period last year.

Tax income from the tax partner in the fourth quarter amounted to a total of approximately NIS 16 million, as compared with a total of approximately NIS 10 million in the corresponding period last year.

The increase in the Reporting Period and in the fourth quarter, relative to the corresponding periods last year, was due to the commercial operation of projects in the United States.

**Net profit attributable to owners** - During the Reporting Period, the Company recognized net profit attributable to owners in the amount of approximately NIS 237 million, as compared with net profit attributable to owners of approximately NIS 79 million in the corresponding period of last year, an increase of approximately NIS 158 million.

Net profit attributable to owners in the fourth quarter amounted to a total of approximately NIS 106 million, as compared with profit of approximately NIS 23 million in the corresponding period last year, an increase of approximately NIS 83 million.

#### 4.5. Cash flows, liquidity and sources of financing

##### • Cash flow

During the Reporting Period, the Group's balance of cash and cash equivalents decreased in the amount of approximately NIS 110 million. The decrease was mostly due to investments in project construction and initiation, partial repayments of bonds and long term loans, and a dividend which was paid to Company shareholders. The decrease was partly offset by equity issues which were performed by the Company, loans which were taken out, and cash inflows which arose for the Company from its operating activities.

The following table summarizes the sources and uses:

	For the year ended December 31		
	2022	2021	2020
	NIS millions		
	(Audited)		
Operating activities	285	103	171
<b>Sources</b>			
Long term loan received from financial institutions	250	465	39
Repayment of loan from third party	14	-	-
Issuance of bonds and convertible bonds	-	313	500
Consideration from issuance of shares	674	-	462
Receipt of loan from Tax Partner	-	178	165
Consideration from exercise of share options	29	10	119
Settlement of financial instruments	18	47	3
Consideration from sale of associate partnership	25	-	1
Consideration from sale of consolidated partnership	-	6	-
	1,010	1,019	1,289
<b>Uses</b>			
Investment in electricity production systems	(1,131)	(1,195)	(628)
Provision of loan	-	(13)	-
Increase in pledged deposit and restricted cash, net	(9)	(6)	137
Repayment of long term loans from financial institutions	(75)	(52)	(55)
Repayment of principal in respect of lease liability	(12)	(8)	(5)
Repayment of bond principal	(74)	-	-
Credit raising costs	(14)	(13)	(1)
Bond raising costs	-	(2)	(5)
Investment in other fixed assets	(4)	(6)	(4)
Acquisition of subsidiary	-	(77)	-
Transaction with non-controlling interests	(3)	(10)	-
Dividend paid to Company shareholders	(107)	(88)	(76)
	(1,429)	(1,470)	(636)
<b>Total surplus of sources over uses</b>	(134)	(348)	823
Balance of cash and cash equivalents at beginning of period	575	962	151
Balance of dedicated deposit at beginning of period	30	-	-
Effect of exchange rate fluctuations on cash and cash equivalents	28	(10)	(13)
Balance of cash and cash equivalents at end of period	465	575	962
Balance of dedicated deposit at end of period	34	30	-

- **Cash, cash equivalents and credit facilities**

As of the Reporting Date, the Company's balance of cash and cash equivalents amounted to a total of approximately NIS 465 million, as compared with a total of approximately NIS 575 million as of December 31, 2021. The Company also has a total of approximately NIS 57 million which mostly includes debt service reserve funds to secure the repayment of the Group's loans, and a dedicated deposit in the amount of approximately NIS 34 million, the use of which is restricted until the Company meets the conditions which were determined in the agreement with the Tax Partner in Virginia Projects 2. As of the Approval Date of the Report, the amount of the dedicated deposit was reduced to a total of approximately USD 1 million.

- **Financing sources**

4.5.1 As of the Approval Date of the Report, the Company's activity is financed by the cash flows which arise for it from commercially active projects, the cash balances at its disposal following the capital 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.

4.5.2 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.

The Company's gross financial debt as of tax report amounts to a total of approximately NIS 2.46 billion. The total average lifetime of the debt is approximately 7.3 years.

4.5.3 As of the Reporting Date, the Company has unused credit facilities in the amount of approximately NIS 216 million (including approximately NIS 98 million in guarantees from a banking corporation in the United States), and project finance facilities which are withdrawable immediately in the amount of approximately NIS 571 million, which the Company will use out of the finance facilities in accordance with its cash requirements.

4.5.4 For details regarding project financing facilities which are available to the Company as of the Reporting Date, see below:

<u>Country</u>	<u>Project addressed in the financing</u>	<u>Status</u>	<u>Estimated total</u>	<u>Amounts available for immediate withdrawal</u>	<u>See Note</u>
Israel	Systems in competitive processes 3 and 4	Signed	Approximately NIS 350 million (of which, approximately NIS 314 million has been used)	-	14 to the Financial Statements
Israel	Clean wind energy	Signed	Up to NIS 650 million (of which, approximately NIS 18 million has been used)	Approximately NIS 250 million	14 to the Financial Statements
USA	Tax partner - Virginia Projects 2	Signed	Approximately USD 55 million (the entire amount was received from the Tax Partner, of which USD 1 million are restricted)	Approximately NIS 32 million	14 to the Financial Statements
Poland	Banie 3, Sepopol	Signed	Up to PLN 550 million (of which, approximately PLN 469 million has been used)	Approximately NIS 65 million	14 to the Financial Statements
Poland	Banie 4	Signed	Up to PLN 290 million (of which, approximately PLN 10 million has been used)	Approximately NIS 224 million	14 to the Financial Statements
Total				Approximately NIS 571 million	

4.5.5 It is noted that the projects Banie 1+2 and Ilawa in Poland do not involve project finance.

4.5.6 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.

4.5.7 For details 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.

4.5.8 For details regarding capital raisings which were performed by the Company, see Note 16c in Part C of the Report - Financial Statements.

- **Pledged assets**

For details regarding liens and guarantees furnished by the Company as of the Reporting 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 "ongoing cash outflows from operating activities and a working capital deficit during a twelve month period" in the standalone financial statements (as opposed to its

consolidated financial statements). The Company's Board of Directors has determined that the cash flows for operating activities do not indicate a liquidity problem, in consideration of, inter alia, the Company's cash balances, immediately withdrawable cash balances in commercially active projects, unused credit facilities, and immediately withdrawable project finance facilities, 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 additional details regarding the Chief Risk Officer, see Regulation 26 in Part D of the Report - Additional Details.

**4.6. 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 in Part A of the Report Description of the Corporation's Business, and Note 31 in Part C of the Report - Financial Statements.

#### **4.7. 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 details 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.

#### **4.8. Linkage bases report**

See Appendix A below for a linkage bases report as of December 31, 2022 and December 31, 2021.

#### **4.9. Sensitivity tests**

See Appendix B below for sensitivity tables for sensitive instruments according to changes in market factors as of December 31, 2022.

**4.10. The Corporation's liabilities according to payment date**

See **Appendix C** below for information regarding the Corporation's liabilities according to payment dates.

**Part C – Corporate Governance Aspects and Updates Concerning the Company's Activities**

**5. Directors with accounting and financial expertise; independent directors**

As of the Approval Date of the Report, 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 of the Board members have accounting and financial expertise (as compared with the minimum condition set by the Board of Directors, of at least 2 directors).

For additional details regarding the Board members, see Regulation 26 in Part D of the Report - Additional Details.

**6. The Company's Internal Auditor** - For details regarding the Company's Internal Auditor, see **Appendix D**.

**7. The Company's Auditors**

The Company's 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 2021 and 2022:

Services	2022		2021	
	Audit and tax services	Other services	Audit and tax services	Other services
<b>Brightman Almagor Zohar &amp; Co. (Deloitte) Israel</b>				
Professional fees, NIS in thousands	700	202.5	708	325
<b>Deloitte Poland</b>				
Professional fees, NIS in thousands	341	-	200	-
<b>Deloitte USA</b>				
Professional fees, NIS in thousands	520	-	466	-

The auditor's professional fees were determined by the Company's Board of Directors, which was authorized for this purpose by the general meeting of the Company's shareholders.

**8. 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.

## 9. Donations

For details regarding the Company's donations policy, see Section 2.8 above.

**In total, during the Reporting Period the total sum of the Company's donations amounted to approximately NIS 1,160 thousand, while in 2023, the total sum of donations is expected to amount to approximately NIS 2,000 thousand.**

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 2022 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.

## 10. Disclosure requirements concerning financial reporting of the Corporation

### Critical accounting estimates

The preparation of financial statements requires management of the Company to use estimates or assessments regarding transactions or matters that their final effect on the Financial Statements cannot be accurately determined at the time of their preparation.

For the critical estimates which apply to the Company, for additional details, see Note 2f in Part C of the Report - Financial Statements.

### Additional Information and Events Subsequent to the Reporting Date

For information regarding events subsequent to the date of the report, see Sections 2.4, 2.5 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 would like to thank the holders of the Company's securities for their confidence in the Company.**

**February 26, 2023**  
\_\_\_\_\_  
**Signing Date of the  
Annual Financial  
Statements**

\_\_\_\_\_  
**Nathan Hetz**  
**Chairman of Board of  
Directors**

\_\_\_\_\_  
**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, 2022, According to Changes in Market Factors.
- Appendix C** – The Corporation's Liabilities by Payment Dates.
- Appendix D** – Information Regarding the Internal Auditor.
- Appendix E** – Details Regarding Liability Certificates Which Were Issued by the Company
- Appendix F** – Rating Reports.

## Appendix A – Linkage Bases Report for Monetary Balances

As of 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
	<u>1,826</u>	<u>317,814</u>	<u>106,175</u>	<u>232,036</u>	<u>-</u>	<u>42,924</u>	<u>700,775</u>
<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 production 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	-	(0)	-	42	7,757	20,303	28,102
Hedging financial instruments	-	112,012	-	-	-	-	112,012
Deferred taxes, net	-	-	-	-	-	56,935	56,935
	<u>-</u>	<u>112,118</u>	<u>3,167</u>	<u>53,974</u>	<u>7,757</u>	<u>5,204,440</u>	<u>5,381,456</u>
<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	(0)	16,235
Trade payables, other payables and credit balances	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
	<u>7,629</u>	<u>112,471</u>	<u>173,649</u>	<u>107,907</u>	<u>69,929</u>	<u>83,079</u>	<u>554,664</u>
<b>Non-current liabilities</b>							
Liabilities for employee severance benefits	-	-	-	-	-	772	772
Loans from financial institutions	-	361,084	-	(0)	918,487	(12,409)	1,267,162
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	(0)	372,311
Other long term liabilities	-	-	360	7,036	-	61,662	69,058
Hedging financial instruments	-	7,510	181,202	-	-	-	188,712
Deferred taxes	-	-	-	-	-	91,258	91,258
	<u>-</u>	<u>484,960</u>	<u>309,717</u>	<u>1,059,051</u>	<u>1,081,850</u>	<u>261,701</u>	<u>3,197,279</u>
<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>(167,499)</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>0</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>

**December 31, 2021**

	EUR	PLN	USD	Unlinked NIS	CPI-linked NIS	Non- financial assets (liabilities)	Total
	NIS in thousands						
<b>Current assets</b>							
Cash and cash equivalents	51,137	54,849	145,987	323,137	-	-	575,110
Dedicated deposit	-	-	30,433	-	-	-	30,433
Trade receivables	-	14,434	3,609	7,913	-	-	25,956
Green certificates	-	-	-	-	-	13,926	13,926
Receivables and debit balances	-	-	-	1,915	-	122,213	124,128
Hedging financial instruments	-	50,307	29,892	-	-	-	80,199
	<u>51,137</u>	<u>119,590</u>	<u>209,921</u>	<u>332,965</u>	<u>-</u>	<u>136,139</u>	<u>849,752</u>
<b>Non-current assets</b>							
Long term restricted cash	-	101	2,799	48,323	-	-	51,223
Right-of-use asset	-	-	-	-	-	291,172	291,172
Connected electricity production systems	-	-	-	-	-	1,915,832	1,915,832
Systems under construction and inventory	-	-	-	-	-	1,492,651	1,492,651
Fixed assets	-	-	-	-	-	11,306	11,306
Investment in associates and joint ventures	-	-	-	-	-	10,429	10,429
Other receivables	-	120	-	-	6,621	1,478	8,219
Hedging financial instruments	-	103,935	4,453	-	-	-	108,388
Deferred taxes, net	-	-	-	-	-	44,083	44,083
	<u>-</u>	<u>104,156</u>	<u>7,252</u>	<u>48,323</u>	<u>6,621</u>	<u>3,766,951</u>	<u>3,933,303</u>
<b>Total assets</b>	<b>51,137</b>	<b>223,746</b>	<b>217,173</b>	<b>381,288</b>	<b>6,621</b>	<b>3,903,090</b>	<b>4,783,055</b>
<b>Current liabilities</b>							
Current maturities of long term loans	-	7,475	-	-	54,555	(417)	61,613
Current maturities of lease liabilities	-	1,214	2,717	-	5,814	-	9,745
Trade payables, other payables and credit balances	3,884	30,047	48,404	110,371	719	34,490	227,915
Short term liability in respect of agreement with Tax Partner	-	-	12,473	-	-	73,797	86,269
Bonds - current maturity	-	-	-	75,430	-	(559)	74,871
Hedging financial instruments	-	(1,101)	12,072	-	-	-	10,971
	<u>3,884</u>	<u>37,635</u>	<u>75,666</u>	<u>185,801</u>	<u>61,088</u>	<u>107,311</u>	<u>471,384</u>
<b>Non-current liabilities</b>							
Liabilities for employee severance benefits	-	-	-	-	-	429	429
Loans from financial institutions	-	251,326	-	-	800,636	(10,312)	1,041,650
Other long term liabilities	-	-	-	8,447	-	21,269	29,716
Bonds	-	-	-	598,968	-	(4,751)	594,217
Convertible bonds	-	-	-	518,939	-	(4,332)	514,607
Long term liability in respect of agreement with Tax Partner	-	-	87,921	-	-	97,055	184,976
Lease liability	-	84,081	43,536	-	143,645	-	271,262
Hedging financial instruments	-	-	55,049	-	-	-	55,049
Deferred taxes	-	-	-	-	-	106,516	106,516
	<u>-</u>	<u>335,407</u>	<u>186,506</u>	<u>1,126,354</u>	<u>944,281</u>	<u>205,874</u>	<u>2,798,423</u>
<b>Total liabilities</b>	<b>3,884</b>	<b>373,043</b>	<b>262,172</b>	<b>1,312,155</b>	<b>1,005,369</b>	<b>313,185</b>	<b>3,269,807</b>
<b>Total surplus of assets over liabilities</b>	<b>47,253</b>	<b>(149,297)</b>	<b>(44,999)</b>	<b>(930,867)</b>	<b>(998,748)</b>	<b>3,589,906</b>	<b>1,513,248</b>
<b>Financial derivatives</b>	<b>-</b>	<b>(680,689)</b>	<b>(643,770)</b>	<b>1,324,459</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Surplus of financial assets over financial liabilities (financial liabilities over financial assets)</b>	<b>47,253</b>	<b>(829,985)</b>	<b>(688,769)</b>	<b>393,612</b>	<b>(998,748)</b>	<b>3,589,905</b>	<b>1,513,268</b>
<b>Distribution of non-monetary assets (liabilities), net - by linkage bases</b>	<b>-</b>	<b>1,155,572</b>	<b>1,067,574</b>	<b>1,222,236</b>	<b>144,523</b>	<b>(3,589,905)</b>	<b>-</b>
<b>Surplus of assets over liabilities (liabilities over assets)</b>	<b>47,253</b>	<b>325,587</b>	<b>378,805</b>	<b>1,615,848</b>	<b>(854,225)</b>	<b>-</b>	<b>1,513,268</b>

## Appendix B – Sensitivity Tables for Sensitive Instruments as of December 31, 2022, 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):

	As of December 31, 2022		
	Increase of 10%	Carrying value	Decrease of 10%
	Profit and loss / comprehen- sive income		Profit and loss / comprehen- sive income
	NIS in thousands		
<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)
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
Short term and long term loans from financial institutions	(37,435)	(374,351)	37,435
Lease liability	(12,465)	(124,652)	12,465
Trade payables, other payables and credit balances	(4,670)	(46,699)	4,670
<b>In USD:</b>			
Cash and cash equivalents	4,309	43,086	(4,309)
Trade receivables	552	5,519	(552)
Dedicated deposit and long term restricted cash	3,760	37,602	(3,760)
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
Lease liability	(9,785)	(97,848)	9,785
Hedging financial instruments - forward transaction	(99,357)	(51,791)	99,357
Financial derivatives - Hedging of electricity prices in the United States (SWAP)	(19,655)	(196,549)	19,655
Hedging financial instruments - CCS	(21,825)	(24,477)	21,881
Long term loans	-	-	-

### 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 United States on comprehensive income in respect of derivative financial instruments to peg electricity prices in the United States (before tax effect):

	<b>As of December 31, 2022</b>		
	<b>Changes to electricity prices in the United States</b>		
	<b>Increase of 10%</b>	<b>Carrying value</b>	<b>Decrease of 10%</b>
	<b>Comprehensive income</b>		<b>Comprehensive income</b>
	<b>NIS in thousands</b>		
Financial derivatives - Hedging of electricity prices in the United States (SWAP)	(44,485)	(196,549)	44,485

**Presented below is an analysis of the Group's sensitivity to the Consumer Price Index (CPI):**

	<b>As of December 31, 2022</b>		
	<b>Increase of 3%</b>	<b>Carrying value</b>	<b>Decrease of 3%</b>
	<b>Profit and loss</b>		<b>Profit and loss</b>
	<b>NIS in thousands</b>		
Loans from financial institutions	(27,512)	982,233	27,512

**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, 2022</b>				
	<b>Increase of 10%</b>	<b>Increase of 5%</b>	<b>Fair value</b>	<b>Decrease of 5%</b>	<b>Decrease of 10%</b>
<b>Sensitive instruments</b>	<b>Loss from the changes (Before tax effect)</b>		<b>Profit from the changes (Before tax effect)</b>		
<b>NIS in thousands</b>					
<b>Fixed rate instruments</b>					
CPI-linked loans in NIS	18,925	9,553	864,544	(9,740)	(19,670)
<b>Total</b>	<b>18,925</b>	<b>9,553</b>	<b>864,544</b>	<b>(9,740)</b>	<b>(19,670)</b>

### Appendix C – The Corporation's Liabilities by Payment Dates

Presented below are the Group's liabilities that are payable after December 31, 2022:

	Bonds (Series A) (*)	Convertible bonds (Series B)	Loans from financial institutions	Total	Percentage
Current maturities	74,546	-	76,665	151,211	6%
Second year	74,546	-	85,377	159,923	6%
Third year	74,546	-	82,264	156,810	6%
Fourth year	74,546	-	79,791	154,337	6%
Fifth year and thereafter	298,401	527,535	1,032,651	1,858,587	76%
Total payments	596,585	527,535	1,356,748	2,480,868	100%
Balance of discount	(4,192)	(3,556)	(12,573)	(20,321)	
<b>Total financial debt</b>	<b>592,393</b>	<b>523,979</b>	<b>1,344,175</b>	<b>2,460,547</b>	

(\*) Including a hedging transaction of the cross currency swap type from NIS to PLN, in the amount of approximately 270 million out of the total of the bonds.

For details, see Note 14d(5) in Part C of the Report - Financial Statements.

As of December 31, 2022, the total sum of off-balance sheet liabilities in respect of guarantees amounted to approximately NIS 240 million.

**Appendix D – Information Regarding the Internal Auditor**

<b>Item</b>	<b>Details</b>
<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>	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. The Internal Auditor is not an interested party in the Company and is not a relative of an interested party or of a corporate officer in the Company and he does not serve as the Company's independent Auditor or on its behalf.
<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.
<b>Work plan</b>	<p>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.</p> <p>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</p>

**Item**
**Details**

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 Internal Auditor's annual work plan which was approved for 2022 included auditing of the following matters: (1) Backup, restoration, disaster recovery and business continuity; (2) Extensive audit of the Company's activity in the United States (construction, operation, ESG and finance); (3) Information security (facilities). 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**  
**Scope of employment**

The Auditor's work includes auditing investee companies and foreign investee companies.

The plan approved for 2022 includes 570 hours of work. 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.

During the period from January 1, 2022 until the publication date of this report, the following reports of the Internal Auditor were submitted in writing to the Company and to the Audit Committee:

<b>Subject of the report</b>	<b>Date of submission in writing</b>	<b>Date of the Audit Committee's discussion</b>	<b>Report addresses the Company's activities / Report addresses the activities of investees outside of Israel</b>
<b>Backups, restorations, disaster recovery and business continuity</b>	May 2022	6.5.2022	The Company's activity (Israel)
<b>Extensive audit of the Company's activity in the United States (construction, operation, ESG and finance)</b>	December 2022	29.12.2022	The Company's activity (United States)
<b>Information security (facilities)</b>	December 2022	29.12.2022	The Company's activity (Israel)

<b>Item</b>	<b>Details</b>
<b>Performing the audit</b>	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.
<b>Access to information</b>	The Internal Auditor was granted free access as stated in Section 9 of the Internal Audit Law, including continuous and unrestricted access to the Corporation's information systems (including for investee corporations and foreign investee corporations), including financial data.
<b>Scope, nature and continuity of the Internal Auditor's activity and work plan</b>	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.
<b>Compensation</b>	For details regarding the compensation of the Internal Auditor in 2022, 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 E – Details Regarding Liability Certificates Which Were Issued by the Company**

Presented below are details regarding the Company's liability certificates as of December 31, 2022 (NIS in thousands):

		<b>Bonds (Series A)</b>	<b>Bonds (Series B)</b>
<b>1</b>	<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
<b>2</b>	<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
<b>3</b>	<b>Par value as of December 31, 2022</b>	598,968	566,602
<b>4</b>	<b>Linked par value as of December 31, 2022</b>	Unlinked	Unlinked
<b>5</b>	<b>Value in the Financial Statements as of December 31, 2022 (at amortized cost)</b>	595,159	523,979
<b>6</b>	<b>Market value as of December 31, 2022</b>	539,569	441,382
<b>7</b>	<b>Accrued interest as of December 31, 2022</b>	3,675	560
<b>8</b>	<b>Interest rate / fixed margin for the year</b>	2.05%	0.25%
<b>9</b>	<b>Materiality of series<sup>3</sup></b>	Yes	Yes
<b>10</b>	<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
<b>11</b>	<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).

<sup>3</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.

		<b>Bonds (Series A)</b>	<b>Bonds (Series B)</b>
<b>12</b>	<b>Linkage base (principal and interest)</b>	Unlinked	Unlinked
<b>13</b>	<b>Conversion right</b>	None	Bonds convertible to Company shares from the issuance date until July 22, 2027
<b>14</b>	<b>Main conditions for conversion</b>	N/A.	From January 1, 2023 to July 22, 2027, each NIS 95.855 par value will be convertible into one ordinary Company share
<b>15</b>	<b>Guarantee to pay the liability</b>	None	None
<b>16</b>	<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 of the Company's Board of Directors, as specified in Section 6.2 of the Trust Deed.	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. As specified in section 6 of the trust deed
<b>17</b>	<b>Pledges in favor of the bond holders</b>	None <sup>8</sup>	None <sup>4</sup>
<b>18</b>	<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).

<sup>4</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>19</b>	<b>Restrictions in connection with the authority to issue additional liability certificates</b>	None	None
<b>20</b>	<b>Validity of pledges</b>	N/A.	N/A.
<b>21</b>	<b>Conditions in the liability certificates regarding the change, release, replacement or cancellation of pledges</b>	For details on this matter, see Section 5.5 of the Trust Deed	For details on this matter, see Section 5.5 of the Trust Deed
<b>22</b>	<b>Changes to the conditions of the liability certificates regarding pledges during the Reporting Period</b>	No changes made	No changes made
<b>23</b>	<b>Way in which the changes were approved</b>	N/A.	N/A.
<b>24</b>	<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
<b>25</b>	<b>Were the conditions for demanding the immediate repayment of the liability certificates or for forfeiting the collateral fulfilled</b>	No	No

		<b>Bonds (Series A)</b>	<b>Bonds (Series B)</b>
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>Holder's meetings</b>	Holder's meeting not held	Holder's meeting not held
30	<b>Rating</b>		
31	<b>Rating company</b>	Maalot	Maalot
32	<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
33	<b>Rating as of December 31, 2022</b>	Unchanged	Unchanged
34			
35	<b>Rating company</b>	Midroog	Midroog
36	<b>Rating as of the issuance date</b>	A2.il, stable outlook	A2.il, stable outlook
37	<b>Rating as of December 31, 2022</b>	Unchanged	Unchanged

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**Appendix F – Rating Reports**<sup>5</sup>

- For the current rating report of Maalot The Israeli Securities Rating Co. Ltd., see the immediate report which was published by the Company on December 1, 2022 (reference number 2022-01-146260).
- For the current rating report of Midroog Ltd., see the immediate report which was published by the Company on November 14, 2022 (reference number 2022-01-136819).

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<sup>5</sup> The information provided in the aforementioned immediate reports was included in this report by way of reference.

**Energix - Renewable Energies Ltd.**  
**Consolidated Statements of Financial Position**

	<u>Note</u>	<u>As of December 31</u>	
		<u>2022</u>	<u>2021</u>
		<u>NIS in thousands</u>	
		<u>(Audited)</u>	
<b>Assets</b>			
<b><u>Current assets</u></b>			
Cash and cash equivalents	4	465,119	575,110
Dedicated deposit	5	34,435	30,433
Trade receivables and income receivables from customers	6	89,920	25,956
Green certificates	7	22,424	13,926
Receivables and debit balances	8	88,877	204,327
<b>Total current assets</b>		<u>700,775</u>	<u>849,752</u>
<b><u>Non-current assets</u></b>			
Long term pledged deposit and restricted cash	5	57,205	51,223
Right-of-use asset	10	390,987	291,172
Connected electricity production systems	9	2,910,128	1,915,832
Systems under construction and initiation	9	1,813,125	1,492,651
Other fixed assets	9	12,962	11,306
Investment in associates and joint ventures	11b	-	10,429
Other receivables	8	140,114	116,607
Deferred tax assets, net	28e	56,935	44,083
<b>Total non-current assets</b>		<u>5,381,456</u>	<u>3,933,303</u>
<b>Total assets</b>		<u>6,082,231</u>	<u>4,783,055</u>

The notes to the Consolidated Financial Statements are an integral part thereof.

**Energix - Renewable Energies Ltd.**  
**Consolidated Statements of Financial Position**

	Note	<u>As of December 31</u>	
		<u>2022</u>	<u>2021</u>
		<u>NIS in thousands</u>	
		<u>(Unaudited)</u>	
<b>Liabilities and equity</b>			
<b><u>Current liabilities</u></b>			
Current maturities of long term loans	14b	77,013	61,613
Current maturities of lease liabilities		16,235	9,745
Current maturities of bonds	14d7	74,871	74,871
Trade payables	12	74,499	161,264
Payables and credit balances	13	232,014	77,622
Short term liability in respect of agreement with Tax Partner	14r	80,032	86,269
<b>Total current liabilities</b>		<u>554,664</u>	<u>471,384</u>
<b><u>Non-current liabilities</u></b>			
Loans from financial institutions	14b	1,267,162	1,041,650
Other long term liabilities	14f	257,770	84,765
Bonds	14d7	520,288	594,217
Convertible bonds	14d7	523,979	514,607
Lease liability		372,311	271,262
Long term liability in respect of agreement with Tax Partner	1g	163,739	184,976
Liability for employee severance benefits, net		772	429
Deferred tax liability, net	28e	91,258	106,516
<b>Total non-current liabilities</b>		<u>3,197,279</u>	<u>2,798,422</u>
<b><u>Equity</u></b>			
Share capital	16	5,478	4,882
Premium and capital reserves	16	2,088,487	1,406,435
Retained earnings		234,665	99,646
<b>Total equity attributable to the owners of the Company</b>		<u>2,328,630</u>	<u>1,510,963</u>
<b>Non-controlling interests</b>		<u>1,658</u>	<u>2,286</u>
<b>Total equity</b>		<u>2,330,288</u>	<u>1,513,249</u>
<b>Total liabilities and equity</b>		<u>6,082,231</u>	<u>4,783,055</u>

February 26, 2023

Signing Date of the Financial Statements

Nathan Hetz  
Chairman of Board of Directors

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**

	Note	For the year ended December 31		
		2022	2021	2020
		NIS in thousands		
				(Audited)
<b>Revenues</b>				
Revenues from the sale of electricity	17	446,326	200,788	201,833
Revenues from the production of green certificates	17	56,084	60,049	59,970
Other revenues, net	18	24,915	5,789	1,266
		<u>527,325</u>	<u>266,626</u>	<u>263,069</u>
<b>Expenses</b>				
Maintenance of systems and others	19	54,688	38,973	36,981
Initiation expenses	21	1,453	381	644
Payroll and related expenses	20	34,369	20,517	15,034
Administrative, headquarters and other	22	30,896	20,017	14,632
		<u>121,406</u>	<u>79,888</u>	<u>67,291</u>
<b>Profit before financing, taxes, depreciation and amortization</b>				
		405,919	186,738	195,778
Capital gains from sale of investee partnership		18,098	12,363	-
Depreciation and amortization	9a+ 10	<u>(105,797)</u>	<u>(81,249)</u>	<u>(80,328)</u>
<b>Profit before financing and taxes</b>		<u>318,220</u>	<u>117,852</u>	<u>115,450</u>
Financing income	23	8,846	2,350	6,669
Financing expenses	24	<u>(91,205)</u>	<u>(49,955)</u>	<u>(30,241)</u>
Financing expenses, net		<u>(82,359)</u>	<u>(47,605)</u>	<u>(23,572)</u>
<b>Profit after financing, net</b>				
		235,861	70,247	91,878
Company's share in the results of associates and joint ventures		-	1,320	(141)
<b>Profit before taxes on income</b>		<u>235,861</u>	<u>71,567</u>	<u>91,737</u>
Taxes on income	28d	<u>(57,766)</u>	<u>(23,188)</u>	<u>(25,215)</u>
Tax income from the Tax Partner		<u>57,815</u>	<u>30,825</u>	<u>11,299</u>
<b>Profit for the year</b>		<u>235,910</u>	<u>79,204</u>	<u>77,821</u>
<b>Total profit for the period attributable to:</b>				
Profit for the year attributable to the owners of the Company		236,690	79,319	77,209
Profit (loss) for the year attributable to non-controlling interests		<u>(780)</u>	<u>(115)</u>	<u>612</u>
<b>Total profit for the year</b>		<u>235,910</u>	<u>79,204</u>	<u>77,821</u>
<b>Net earnings per share attributable to the equity holders of the Company (NIS):</b>				
Basic		<u>0.447</u>	<u>0.163</u>	<u>0.167</u>
Diluted		<u>0.435</u>	<u>0.161</u>	<u>0.162</u>
<b>Weighted average share capital used to compute the earnings per share (thousands of shares):</b>				
Basic	27	<u>529,476</u>	<u>486,454</u>	<u>462,794</u>
Diluted	27	<u>564,145</u>	<u>493,728</u>	<u>477,826</u>

The notes to the Consolidated Financial Statements are an integral part thereof.

**Energix - Renewable Energies Ltd.**  
**Consolidated Statements of Comprehensive Income (Loss)**

	<b>For the year ended December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<b>NIS in thousands</b>		
	<b>(Audited)</b>		
<b>Profit for the year</b>	235,910	79,204	77,821
<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	199,561	(143,367)	(88,860)
Loss in respect of cash flow hedge - value of time, net of tax	(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	(161,329)	103,306	33,432
Change in the fair value of cash flow hedging instruments, net of tax	(5,893)	(32,102)	16,062
<b>Total comprehensive income for the year</b>	<b>218,066</b>	<b>5,104</b>	<b>38,455</b>
<b>Total comprehensive income (loss) attributable to:</b>			
Owners of the Company	218,846	5,219	37,843
Non-controlling interests	(780)	(115)	612
<b>Total comprehensive income for the year</b>	<b>218,066</b>	<b>5,104</b>	<b>38,455</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, 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 loss for the year	-	-	-	(5,893)	(50,185)	38,233	-	-	-	(17,845)	-	(17,845)
Share issuance (*) (**)	518	673,463	-	-	-	-	-	-	-	673,981	-	673,981
Exercise of share options (**)	78	34,093	-	-	-	-	-	-	(5,072)	29,099	-	29,099
Dividend 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>

(\*) For details regarding a capital raising, see Note 16c(2).

(\*\*) The amount includes an increase in equity due to the exercise of employee options.

(\*\*\*) For additional information, see Note 16.

**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
	<b>NIS in thousands</b>											
<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 (loss) 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)
Return of capital to 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.

(\*\*) For additional information, see Note 16.

**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, 2020 (audited)

	Share capital	Premium	Receipts on account of options	Capital reserve from cash flow hedge	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, 2020</b>	4,256	967,248	4,475	(19,473)	(64,446)	(3,062)	512	103,189	992,699	8,483	1,001,182
Income for the year	-	-	-	-	-	-	-	77,209	77,209	612	77,821
Other comprehensive income (loss) for the year	-	-	-	16,062	(55,428)	-	-	-	(39,366)	-	(39,366)
Issuance of shares	367	461,079	-	-	-	-	-	-	461,446	-	461,446
Issuance of convertible bonds equity component	-	-	46,158	-	-	-	-	-	46,158	-	46,158
Exercise of share options (*)	202	122,319	(4,347)	-	-	-	-	(4,068)	114,106	-	114,106
Dividend paid to Company shareholders	-	-	-	-	-	-	-	(75,944)	(75,944)	-	(75,944)
Share-based payment	-	-	-	-	-	-	-	3,988	3,988	-	3,988
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	(1,578)	(1,578)
Return of capital to non-controlling interests	-	-	-	-	-	-	-	-	-	(342)	(342)
<b>Balance as of December 31, 2020</b>	<b>4,825</b>	<b>1,550,646</b>	<b>46,286</b>	<b>(3,411)</b>	<b>(119,874)</b>	<b>(3,062)</b>	<b>512</b>	<b>104,374</b>	<b>1,580,296</b>	<b>7,175</b>	<b>1,587,471</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**

	Note	For the year ended December 31		
		2022	2021	2020
		NIS in thousands		
				(Audited)
<b>Cash flows - operating activities</b>				
Income for the year		235,910	79,204	77,821
Expenses not involving cash flows (Appendix A)		152,149	76,725	90,222
		388,059	155,929	168,043
Changes in working capital (Appendix B)		(103,372)	(52,440)	3,275
<b>Net cash from operating activities</b>		<b>284,687</b>	<b>103,489</b>	<b>171,318</b>
<b>Cash flows - investing activities</b>				
Investment in electricity production systems	9	(1,131,008)	(1,194,586)	(627,882)
Increase in pledged deposit and restricted cash (****)	5	(7,222)	(5,465)	(35,658)
Decrease in pledged deposit and restricted cash (****)	5	-	-	172,981
Acquisition of subsidiary (*)	9	-	(77,008)	-
Settlement of derivative financial instruments		18,338	46,743	2,891
Provision of loan to related party	25	-	(13,247)	-
Repayment of loan from related party	25	13,730	-	-
Investment in other fixed assets	9	(4,356)	(5,577)	(4,175)
Consideration from sale of investee partnership (**)	9	25,360	-	1,100
Consideration from sale of consolidated partnership (***)	9	-	6,644	-
<b>Net cash used in investing activities</b>		<b>(1,085,158)</b>	<b>(1,242,496)</b>	<b>(490,743)</b>
<b>Cash flows - financing activities</b>				
Consideration from issuance of shares, net	16	673,745	-	461,446
Consideration from exercise of share options	16	29,769	9,665	118,909
Repayment of principal in respect of lease liability		(12,269)	(7,743)	(4,607)
Credit raising costs		(14,464)	(13,330)	(864)
Transaction with non-controlling interests		(2,859)	(9,834)	-
Return of capital to non-controlling interests		-	(380)	(341)
Issuance of bonds and convertible bonds	14	-	312,963	500,000
Costs of raising bonds and convertible bonds	14	-	(2,006)	(5,245)
Repayment of bond principal	14	(74,489)	-	-
Receipt of loan from Tax Partner	14	-	178,443	164,905
Long term loan received from financial institutions	14	249,564	464,604	38,742
Repayment of long term loans from financial institutions	14	(75,464)	(51,973)	(54,703)
Dividend paid to Company shareholders		(106,779)	(87,712)	(75,944)
<b>Net cash from financing activities</b>		<b>666,754</b>	<b>792,697</b>	<b>1,142,298</b>
<b>Change in change in cash and cash equivalents and in designated cash</b>		<b>(133,717)</b>	<b>(346,310)</b>	<b>822,873</b>
<b>Balance of cash and cash equivalents at beginning of year</b>		<b>575,110</b>	<b>961,716</b>	<b>151,418</b>
<b>Balance of dedicated deposit at beginning of period</b>		<b>30,433</b>	<b>-</b>	<b>-</b>
<b>Effect of exchange rate fluctuations on cash and cash equivalents</b>		<b>27,728</b>	<b>(9,863)</b>	<b>(12,575)</b>
<b>Balance of cash and cash equivalents at end of year</b>		<b>465,119</b>	<b>575,110</b>	<b>961,716</b>
<b>Balance of dedicated deposit at end of period</b>		<b>34,435</b>	<b>30,433</b>	<b>-</b>

(\*) For additional information, see Note 9b(2)(e).

(\*\*) For additional information, see Note 9b(1)

(\*\*\*) See Appendix C of this report.

(\*\*\*\*) The change in the dedicated deposit for the year ended December 31, 2021 was reclassified due to the adoption of a new accounting policy. For details, see Note 3(b).

**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**

<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>NIS in thousands</b>		
<b>(Audited)</b>		

**Appendix - Adjustments Required to Present Cash Flows from Operating Activities**

**a. Expenses (income) not involving cash flows:**

Financing expenses, net	20,636	10,514	8,282
Maintenance expenses not associated with cash flows	(1,478)	-	-
Revaluation of loans, deposits and marketable securities, net	51,451	16,037	(3,075)
Depreciation and amortization	105,799	81,249	80,328
Company's share in the results of equity-accounted partnerships	-	(1,320)	141
Tax expenses (income) recognized in profit for the period	(13,441)	(22,517)	1,739
Share-based payment	7,280	5,125	2,807
Profit from sale of investee partnership (**)	(18,098)	-	-
Profit from sale of consolidated partnership (***)	-	(12,363)	-
	<u>152,149</u>	<u>76,725</u>	<u>90,222</u>

**b. Changes in asset and liability items (changes in working capital):**

Increase in trade receivables and other receivables and debit balances	(72,810)	(27,212)	(13,276)
Decrease (increase) in inventory of green certificates	(7,406)	7,251	(3,944)
Increase (decrease) in trade payables and other payables and credit balances	(23,156)	(460)	20,495
Purchase of cap option	-	(32,019)	-
	<u>(103,372)</u>	<u>(52,440)</u>	<u>3,275</u>

**Non-cash activity**

Receivables from non-cash exercise of share options	5,619	2,922	-
Investment in electricity production facilities against supplier credit and payables	49,294	8,369	30,399
Increase in right-of-use asset against lease liability due to new lease agreements	87,166	93,911	57,691

**Additional information**

Interest paid for operating activities	11,421	5,717	18,462
Taxes paid	13,393	15,106	12,176
Interest paid in respect of properties under construction	47,744	23,714	17,255
Interest received in respect of operating activities	7,982	2,081	1,031

**The notes to the Consolidated Financial Statements are an integral part thereof.**

**Energix - Renewable Energies Ltd.**  
**Consolidated Statements of Cash Flows**

	<b>For the year ended December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<b>NIS in thousands</b>		
	<b>(Audited)</b>		
<b><u>Appendix C - Sale of Consolidated Partnership</u></b>			
Working capital (including cash and cash equivalents)	-	1,497	-
Pledged deposit and restricted cash	-	2,015	-
Connected electricity production 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	-
<b><u>Cash flows, net</u></b>			
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.**

**Consolidated Financial Statements**

**As of December 31, 2022**

**(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 audited internal controls over financial reporting of **Energix Renewable Energies Ltd.** and its subsidiaries (hereinafter, jointly: the “**Group**”) as of December 31, 2022. 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 Auditing Standard 911 of the Institute of Certified Public Accountants in Israel, “Audit of internal controls over financial reporting” (hereinafter: “Auditing 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 purchasing and payment process and (3) controls over revenue from the sale of electricity and green certificates (all of the above together are referred to hereinafter as: the “Audited Controls”).

We conducted our audit in accordance with Auditing Standard 911. 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, 2022.

We also audited, in accordance with generally accepted auditing standards in Israel, the Group’s Consolidated Financial Statements as of December 31, 2022 and 2021, and for each of the three years, the last of which ended December 31, 2022, and our report, dated February 26, 2023, includes an unqualified opinion regarding those financial statements, based on our audit.

**Brightman Almagor Zohar & Co.**  
**Certified Public Accountants**  
**A Firm in the Deloitte Global Network**

**Tel Aviv, February 26, 2023**

**תל אביב - משרד ראשי**

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<b>משרד נצרת</b> מרני אבן עאמר 9 נצרת, 16100	<b>משרד אילת</b> המרכז העירוני 583 ת.ד. אילת, 8810402	<b>משרד חיפה</b> מעלה השחרור 5 5648 ת.ד. חיפה, 3105502	<b>משרד ירושלים</b> קרית המדע 3 מגדל הר חוצבים ירושלים, 914510 ת.ח. 45396
<b>טלפון: 073-3994455</b> <b>פקס: 073-3994455</b>	<b>טלפון: 08-6375676</b> <b>פקס: 08-6371628</b>	<b>טלפון: 04-8607333</b> <b>פקס: 04-8672528</b>	<b>טלפון: 02-5018888</b> <b>פקס: 02-5374173</b>



## **Auditor's Report to the Shareholders of Energix - Renewable Energies Ltd.**

We audited the attached consolidated statements of financial position of **Energix Renewable Energies Ltd.** (hereinafter: the "**Company**") as of December 31, 2022 and 2021, 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, 2022. 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, 2022 and 2021, 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, 2022, 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, 2022, and our report dated February 26, 2023 included an unqualified opinion regarding the effective existence of those controls.

### **Key audit matters**

The key audit matters specified below are the matters which were communicated, or which were required to be communicated, to the Company's Board of Directors, and which, in our professional discretion, were highly significant in the audit of the consolidated financial statements for 2022. These matters include, inter alia, any matter which (1) pertains, or may pertain, to material sections or disclosures in the financial statements; and (2) our opinion regarding them was particularly challenging, subjective or complex. These matters were addressed in our audit and the formulating of our opinion regarding the consolidated financial statements in their entirety. The communication of the matters specified below does not change our opinion regarding the consolidated financial statements in their entirety, and we are not providing herein a separate opinion regarding these matters, or regarding the sections or disclosures to which they refer.

**Presented below are the matters which we designated as key audit matters in the Company's consolidated financial statements for 2022.**

### **Hedging of electricity prices in the United States**

As stated in Notes 2.f, 3.c.4.b and 31.b.4 to the consolidated financial statements as of December 31, 2022, 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 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, 2022 is a net liability in the amount of approximately

NIS 196,549 thousand, and in 2022, the Company recognized changes in the fair value of these derivatives in the amount of approximately NIS 141,500 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, 2022, 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.

### **Audit policies which were conducted 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 United States, we mostly implemented the following policies: 1. Understanding of the internal control environment in respect of these derivatives of hedging electricity prices in the United States, and an audit regarding the effectiveness of the relevant internal controls. 2. We reached an understanding of the business rationale of the transactions, and read the basic contractual agreements, on a sample basis, which involves quantitative considerations. 3. We used experts with appropriate knowledge in order to assist in assessing the adequacy of the models and methodologies which were prepared by an independent external valuer, 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 United States. 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, February 26, 2023**

### **תל אביב - משרד ראשי**

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**Energix - Renewable Energies Ltd.**  
**Consolidated Statements of Financial Position**

	Note	As of December 31	
		2022	2021
		NIS in thousands (Audited)	
<b>Assets</b>			
<b><u>Current assets</u></b>			
Cash and cash equivalents	4	465,119	575,110
Dedicated deposit	5	34,435	30,433
Trade receivables and income receivables from customers	6	89,920	25,956
Green certificates	7	22,424	13,926
Receivables and debit balances	8	88,877	204,327
<b>Total current assets</b>		<b>700,775</b>	<b>849,752</b>
<b><u>Non-current assets</u></b>			
Long term pledged deposit and restricted cash	5	57,205	51,223
Right-of-use asset	10	390,987	291,172
Connected electricity production systems	9	2,910,128	1,915,832
Systems under construction and initiation	9	1,813,125	1,492,651
Other fixed assets	9	12,962	11,306
Investment in associates and joint ventures	11b	-	10,429
Other receivables	8	140,114	116,607
Deferred tax assets, net	28e	56,935	44,083
<b>Total non-current assets</b>		<b>5,381,456</b>	<b>3,933,303</b>
<b>Total assets</b>		<b>6,082,231</b>	<b>4,783,055</b>

The notes to the Consolidated Financial Statements are an integral part thereof.

**Energix - Renewable Energies Ltd.**  
**Consolidated Statements of Financial Position**

	Note	As of December 31	
		2022	2021
		NIS in thousands (Unaudited)	
<b>Liabilities and equity</b>			
<b><u>Current liabilities</u></b>			
Current maturities of long term loans	14b	77,013	61,613
Current maturities of lease liabilities		16,235	9,745
Current maturities of bonds	14d7	74,871	74,871
Trade payables	12	74,499	161,264
Payables and credit balances	13	232,014	77,622
Short term liability in respect of agreement with Tax Partner	14f	80,032	86,269
<b>Total current liabilities</b>		<b>554,664</b>	<b>471,384</b>
<b><u>Non-current liabilities</u></b>			
Loans from financial institutions	14b	1,267,162	1,041,650
Other long term liabilities	14f	257,770	84,765
Bonds	14d7	520,288	594,217
Convertible bonds	14d7	523,979	514,607
Lease liability		372,311	271,262
Long term liability in respect of agreement with Tax Partner	1g	163,739	184,976
Liability for employee severance benefits, net		772	429
Deferred tax liability, net	28e	91,258	106,516
<b>Total non-current liabilities</b>		<b>3,197,279</b>	<b>2,798,422</b>
<b><u>Equity</u></b>			
Share capital	16	5,478	4,882
Premium and capital reserves	16	2,088,487	1,406,435
Retained earnings		234,665	99,646
<b>Total equity attributable to the owners of the Company</b>		<b>2,328,630</b>	<b>1,510,963</b>
<b>Non-controlling interests</b>		<b>1,658</b>	<b>2,286</b>
<b>Total equity</b>		<b>2,330,288</b>	<b>1,513,249</b>
<b>Total liabilities and equity</b>		<b>6,082,231</b>	<b>4,783,055</b>

February 26, 2023  
\_\_\_\_\_  
Signing Date of the Financial  
Statements

\_\_\_\_\_  
Nathan Hetz  
Chairman of Board of  
Directors

\_\_\_\_\_  
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>Note</b>	<b>For the year ended December 31</b>		
		<b>2022</b>	<b>2021</b>	<b>2020</b>
		<b>NIS in thousands</b>		
				<b>(Audited)</b>
<b>Revenues</b>				
Revenues from the sale of electricity	17	446,326	200,788	201,833
Revenues from the production of green certificates	17	56,084	60,049	59,970
Other revenues, net	18	24,915	5,789	1,266
		<u>527,325</u>	<u>266,626</u>	<u>263,069</u>
<b>Expenses</b>				
Maintenance of systems and others	19	54,688	38,973	36,981
Initiation expenses	21	1,453	381	644
Payroll and related expenses	20	34,369	20,517	15,034
Administrative, headquarters and other	22	30,896	20,017	14,632
		<u>121,406</u>	<u>79,888</u>	<u>67,291</u>
<b>Profit before financing, taxes, depreciation and amortization</b>		405,919	186,738	195,778
Capital gains from sale of investee partnership		18,098	12,363	-
Depreciation and amortization	9a+ 10	<u>(105,797)</u>	<u>(81,249)</u>	<u>(80,328)</u>
<b>Profit before financing and taxes</b>		<u>318,220</u>	<u>117,852</u>	<u>115,450</u>
Financing income	23	8,846	2,350	6,669
Financing expenses	24	<u>(91,205)</u>	<u>(49,955)</u>	<u>(30,241)</u>
Financing expenses, net		<u>(82,359)</u>	<u>(47,605)</u>	<u>(23,572)</u>
<b>Profit after financing, net</b>		235,861	70,247	91,878
Company's share in the results of associates and joint ventures		-	1,320	(141)
<b>Profit before taxes on income</b>		235,861	71,567	91,737
Taxes on income	28d	<u>(57,766)</u>	<u>(23,188)</u>	<u>(25,215)</u>
Tax income from the Tax Partner		<u>57,815</u>	<u>30,825</u>	<u>11,299</u>
<b>Profit for the year</b>		<u>235,910</u>	<u>79,204</u>	<u>77,821</u>
<b>Total profit for the period attributable to:</b>				
Profit for the year attributable to the owners of the Company		236,690	79,319	77,209
Profit (loss) for the year attributable to non-controlling interests		<u>(780)</u>	<u>(115)</u>	<u>612</u>
<b>Total profit for the year</b>		<u>235,910</u>	<u>79,204</u>	<u>77,821</u>
<b>Net earnings per share attributable to the equity holders of the Company (NIS):</b>				
Basic		<u>0.447</u>	<u>0.163</u>	<u>0.167</u>
Diluted		<u>0.435</u>	<u>0.161</u>	<u>0.162</u>
<b>Weighted average share capital used to compute the earnings per share (thousands of shares):</b>				
Basic	27	<u>529,476</u>	<u>486,454</u>	<u>462,794</u>
Diluted	27	<u>564,145</u>	<u>493,728</u>	<u>477,826</u>

The notes to the Consolidated Financial Statements are an integral part thereof.

**Energix - Renewable Energies Ltd.**  
**Consolidated Statements of Comprehensive Income (Loss)**

	<b>For the year ended December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<b>NIS in thousands</b>		
	<b>(Audited)</b>		
<b>Profit for the year</b>	235,910	79,204	77,821
<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	199,561	(143,367)	(88,860)
Loss in respect of cash flow hedge - value of time, net of tax	(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	(161,329)	103,306	33,432
Change in the fair value of cash flow hedging instruments, net of tax	(5,893)	(32,102)	16,062
<b>Total comprehensive income for the year</b>	<b>218,066</b>	<b>5,104</b>	<b>38,455</b>
<b>Total comprehensive income (loss) attributable to:</b>			
Owners of the Company	218,846	5,219	37,843
Non-controlling interests	(780)	(115)	612
<b>Total comprehensive income for the year</b>	<b>218,066</b>	<b>5,104</b>	<b>38,455</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, 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 loss for the year	-	-	-	(5,893)	(50,185)	38,233	-	-	-	(17,845)	-	(17,845)
Share issuance (*) (**)	518	673,463	-	-	-	-	-	-	-	673,981	-	673,981
Exercise of share options (**)	78	34,093	-	-	-	-	-	-	(5,072)	29,099	-	29,099
Dividend 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>

(\*) For details regarding a capital raising, see Note 16c(2).

(\*\*) The amount includes an increase in equity due to the exercise of employee options.

(\*\*\*) For additional information, see Note 16.

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
	<b>NIS in thousands</b>											
<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 (loss) 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)
Return of capital to 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.

(\*\*) For additional information, see Note 16.

**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, 2020 (audited)

	Share capital	Premium	Receipts on account of options	Capital reserve from cash flow hedge	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, 2020</b>	4,256	967,248	4,475	(19,473)	(64,446)	(3,062)	512	103,189	992,699	8,483	1,001,182
Income for the year	-	-	-	-	-	-	-	77,209	77,209	612	77,821
Other comprehensive income (loss) for the year	-	-	-	16,062	(55,428)	-	-	-	(39,366)	-	(39,366)
Issuance of shares	367	461,079	-	-	-	-	-	-	461,446	-	461,446
Issuance of convertible bonds equity component	-	-	46,158	-	-	-	-	-	46,158	-	46,158
Exercise of share options (*)	202	122,319	(4,347)	-	-	-	-	(4,068)	114,106	-	114,106
Dividend paid to Company shareholders	-	-	-	-	-	-	-	(75,944)	(75,944)	-	(75,944)
Share-based payment	-	-	-	-	-	-	-	3,988	3,988	-	3,988
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	(1,578)	(1,578)
Return of capital to non-controlling interests	-	-	-	-	-	-	-	-	-	(342)	(342)
<b>Balance as of December 31, 2020</b>	<u>4,825</u>	<u>1,550,646</u>	<u>46,286</u>	<u>(3,411)</u>	<u>(119,874)</u>	<u>(3,062)</u>	<u>512</u>	<u>104,374</u>	<u>1,580,296</u>	<u>7,175</u>	<u>1,587,471</u>

(\*) 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 Comprehensive Income (Loss)**

	Note	<b>For the year ended December 31</b>		
		<b>2022</b>	<b>2021</b>	<b>2020</b>
		<b>NIS in thousands</b>		
				<b>(Audited)</b>
<b>Cash flows - operating activities</b>				
Income for the year		235,910	79,204	77,821
Expenses not involving cash flows (Appendix A)		152,149	76,725	90,222
		388,059	155,929	168,043
Changes in working capital (Appendix B)		(103,372)	(52,440)	3,275
<b>Net cash from operating activities</b>		<b>284,687</b>	<b>103,489</b>	<b>171,318</b>
<b>Cash flows - investing activities</b>				
Investment in electricity production systems	9	(1,131,008)	(1,194,586)	(627,882)
Increase in pledged deposit and restricted cash (****)	5	(7,222)	(5,465)	(35,658)
Decrease in pledged deposit and restricted cash (****)	5	-	-	172,981
Acquisition of subsidiary (*)	9	-	(77,008)	-
Settlement of derivative financial instruments		18,338	46,743	2,891
Provision of loan to related party	25	-	(13,247)	-
Repayment of loan from related party	25	13,730	-	-
Investment in other fixed assets	9	(4,356)	(5,577)	(4,175)
Consideration from sale of investee partnership (**)	9	25,360	-	1,100
Consideration from sale of consolidated partnership (***)	9	-	6,644	-
<b>Net cash used in investing activities</b>		<b>(1,085,158)</b>	<b>(1,242,496)</b>	<b>(490,743)</b>
<b>Cash flows - financing activities</b>				
Consideration from issuance of shares, net	16	673,745	-	461,446
Consideration from exercise of share options	16	29,769	9,665	118,909
Repayment of principal in respect of lease liability		(12,269)	(7,743)	(4,607)
Credit raising costs		(14,464)	(13,330)	(864)
Transaction with non-controlling interests		(2,859)	(9,834)	-
Return of capital to non-controlling interests		-	(380)	(341)
Issuance of bonds and convertible bonds	14	-	312,963	500,000
Costs of raising bonds and convertible bonds	14	-	(2,006)	(5,245)
Repayment of bond principal	14	(74,489)	-	-
Receipt of loan from Tax Partner	14	-	178,443	164,905
Long term loan received from financial institutions	14	249,564	464,604	38,742
Repayment of long term loans from financial institutions	14	(75,464)	(51,973)	(54,703)
Dividend paid to Company shareholders		(106,779)	(87,712)	(75,944)
<b>Net cash from financing activities</b>		<b>666,754</b>	<b>792,697</b>	<b>1,142,298</b>
<b>Change in change in cash and cash equivalents and in designated cash</b>		<b>(133,717)</b>	<b>(346,310)</b>	<b>822,873</b>
<b>Balance of cash and cash equivalents at beginning of year</b>		<b>575,110</b>	<b>961,716</b>	<b>151,418</b>
<b>Balance of dedicated deposit at beginning of period</b>		<b>30,433</b>	<b>-</b>	<b>-</b>
<b>Effect of exchange rate fluctuations on cash and cash equivalents</b>		<b>27,728</b>	<b>(9,863)</b>	<b>(12,575)</b>
<b>Balance of cash and cash equivalents at end of year</b>		<b>465,119</b>	<b>575,110</b>	<b>961,716</b>
<b>Balance of dedicated deposit at end of period</b>		<b>34,435</b>	<b>30,433</b>	<b>-</b>

(\*) For additional information, see Note 9b(2)(e).

(\*\*) For additional information, see Note 9b(1)

(\*\*\*) See Appendix C of this report.

(\*\*\*\*) The change in the dedicated deposit for the year ended December 31, 2021 was reclassified due to the adoption of a new accounting policy. For details, see Note 3(b).

**The notes to the Consolidated Financial Statements are an integral part thereof.**

**Energix - Renewable Energies Ltd.**  
**Consolidated Statements of Comprehensive Income (Loss)**

	<b>For the year ended</b>		
	<b>December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<b>NIS in thousands</b>		
	<b>(Audited)</b>		
<b><u>Appendix - Adjustments Required to Present Cash Flows from Operating Activities</u></b>			
<b>a. Expenses (income) not involving cash flows:</b>			
Financing expenses, net	20,636	10,514	8,282
Maintenance expenses not associated with cash flows	(1,478)	-	-
Revaluation of loans, deposits and marketable securities, net	51,451	16,037	(3,075)
Depreciation and amortization	105,799	81,249	80,328
Company's share in the results of equity-accounted partnerships	-	(1,320)	141
Tax expenses (income) recognized in profit for the period	(13,441)	(22,517)	1,739
Share-based payment	7,280	5,125	2,807
Profit from sale of investee partnership (**)	(18,098)	-	-
Profit from sale of consolidated partnership (***)	-	(12,363)	-
	<u>152,149</u>	<u>76,725</u>	<u>90,222</u>
<b>b. Changes in asset and liability items (changes in working capital):</b>			
Increase in trade receivables and other receivables and debit balances	(72,810)	(27,212)	(13,276)
Decrease (increase) in inventory of green certificates	(7,406)	7,251	(3,944)
Increase (decrease) in trade payables and other payables and credit balances	(23,156)	(460)	20,495
Purchase of cap option	-	(32,019)	-
	<u>(103,372)</u>	<u>(52,440)</u>	<u>3,275</u>
<b><u>Non-cash activity</u></b>			
Receivables from non-cash exercise of share options	5,619	2,922	-
Investment in electricity production facilities against supplier credit and payables	49,294	8,369	30,399
Increase in right-of-use asset against lease liability due to new lease agreements	87,166	93,911	57,691
<b><u>Additional information</u></b>			
Interest paid for operating activities	11,421	5,717	18,462
Taxes paid	13,393	15,106	12,176
Interest paid in respect of properties under construction	47,744	23,714	17,255
Interest received in respect of operating activities	7,982	2,081	1,031

**The notes to the Consolidated Financial Statements are an integral part thereof.**

**Energix - Renewable Energies Ltd.**  
**Consolidated Statements of Comprehensive Income (Loss)**

	<b>For the year ended December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<b>NIS in thousands</b>		
	<b>(Audited)</b>		
<b><u>Appendix C - Sale of Consolidated Partnership</u></b>			
Working capital (including cash and cash equivalents)	-	1,497	-
Pledged deposit and restricted cash	-	2,015	-
Connected electricity production 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	-
<b><u>Cash flows, net</u></b>			
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.

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**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 initiation, 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 photovoltaic technology (the “Photovoltaic Segment”), including storage capabilities** - As of the Reporting Date, the Company has activities in the Photovoltaic Segment in Israel, the United States and Poland.
- (ii) **Activities to produce electricity from wind energy (the “Wind Energy Segment”)** - As of the Reporting 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 amounts to a total of approximately 855MW in commercially active projects, approximately 680MWp in projects under construction and pre-construction, and 695MW in projects in advanced stages of initiation. The Company also has initiated projects in the Photovoltaic Segment and in the Wind Energy Segment with a capacity of approximately 6.3 GW, and initiated projects in the Storage Segment at a scope of around 7 GWh.

**Energix - Renewable Energies Ltd.**  
**Notes to the Consolidated Financial Statements**

**Note 1 - General (Cont.)**
**B. Definitions in these financial statements:**

The Consolidated Financial Statements of the Company as of December 31, 2022 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
<b>US Venture</b>	A corporation owned by the Company (58%) and a local partner (42%) which is engaged in the joint initiation, development, construction, operation and maintenance of projects for the production of electricity from photovoltaic energy sources.
<b>Israel Joint Venture</b>	A limited partnership owned by the Company (70%) and an entrepreneurial company (30%), which is engaged in the joint initiation, development, construction, operation and maintenance of projects for the production of electricity from photovoltaic energy.
<b>Group</b>	As defined in this section above. For details 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>	Photovoltaic systems with an electricity production capacity of up to 50 KWp each.
<b>Medium Systems</b>	Photovoltaic systems with an electricity production capacity greater than 50KWp that are connected to the distribution network.
<b>Large Systems</b>	Photovoltaic systems for the production of electricity that are connected to the transmission network.
<b>Systems of the First Competitive Process</b>	Photovoltaic systems built by virtue of the winning quota in the first competitive process of the Electricity Authority, and incorporated under Energix Projects 2, Limited Partnership, which is 100% held by the

**Energix - Renewable Energies Ltd.**
**Notes to the Consolidated Financial Statements**

<b>Systems of the Second Competitive Process</b>	Photovoltaic systems built by virtue of the winning quota in the second competitive process 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>	Photovoltaic systems built by virtue of the winning quota in the second competitive process of the Electricity Authority, and incorporated under Energix Projects 3-4, Limited Partnership, which is held 70% by the Company.
Clean Wind Energy Project	As defined in Note 9b(5).
<b>Neot Hovav Project</b>	As defined in Note 9a.
<b>Banie Project 1+2</b>	As defined in Note 9b(4)(d).
<b>Banie Project 3</b>	As defined in Note 9b(4)(d).
<b>Banie Project 4</b>	As defined in Note 9b(4)(d).
<b>Hawa Project</b>	As defined in Note 9b(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.
<b>Projects in advanced stages of initiation</b>	Projects in advanced stages of initiation 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 initiation 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 9b(2).
<b>Sepopol Project</b>	As defined in Note 9b(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>Photovoltaic 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 production capacity of photovoltaic systems.
<b>MWp</b>	1,000 peak kilowatt units which are used to measure the installed electricity production capacity of photovoltaic systems.

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**Energix - Renewable Energies Ltd.**  
**Notes to the Consolidated Financial Statements**

<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.
<b>Vestas</b>	Vestas Ltd., one of the world's leading turbine manufacturers.
<b>Morgan Stanley</b>	Morgan Stanley Renewables Inc., the Tax Partner described in Note 9b(2)(b).
<b>Shell</b>	Shell Energy North America (US), L.P., with which the Company engaged in a transaction to hedge electricity prices in connection with the series of projects Virginia Projects 1 in the United States, as

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**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.

The Financial Statements were approved for publication by the Company’s Board of Directors on February 26, 2023.

**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 NIS is the currency that represents the principal economic environment to which the Company operates (as defined in generally accepted accounting principles).

**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;
- Investments in equity-accounted joint transactions;
- 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;
- Provisions and assets to which were they capitalized.

**D. Operating cycle**

The Group’s operating cycle period is 12 months.

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**Energix - Renewable Energies Ltd.**  
**Notes to the Consolidated Financial Statements**

**Note 2 - Basis of Preparation (Cont.)**

**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.

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 in stages of construction and initiation, see Note 9 and Note 3h.

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**Energix - Renewable Energies Ltd.**  
**Notes to the Consolidated Financial Statements**

**Note 2 - Basis of Preparation (Cont.)**

**F. Use of estimates and judgments (Cont.)**

**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 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 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.

**G. 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.

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**Notes to the Consolidated Financial Statements**

**Note 2 - Basis of Preparation (Cont.)**
**H. 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 Reporting Date.

Balances linked to the consumer price index are presented according to the last known index at the end of the Reporting Period (the index for the month preceding the month of the Reporting Date), or in accordance with the index in lieu for the last month of the Reporting Period (the index for the month of the Reporting 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 Reporting Date and in the corresponding periods:

	<b>As of December 31 / for the month of December</b>			<b>Change during the one year period ended December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
				<b>%</b>		
<b>Consumer Price Index (According to base 2000)</b>						
In Israel (index in lieu)	143.53	136.35	132.63	5.27	2.80	(0.69)
In Israel (known index)	143.13	135.95	132.77	5.28	2.40	(0.60)
<b>Exchange rate vs. the NIS</b>						
PLN	0.80	0.76	0.85	4.63	(10.48)	(6.17)
EUR	3.75	3.52	3.94	6.68	(10.78)	1.67
USD	3.52	3.11	3.22	13.15	(3.27)	(6.97)

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**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) Control**

Control exists when the Group is exposed, or has rights, to variable returns from its involvement with a subsidiary (as defined below) and it has the ability to affect those returns through its power over the subsidiary. Substantive rights held by the Group and others are taken into account when assessing control.

**(2) 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.

**(3) 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.

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**(4) Investment in joint transactions**

A joint arrangement is an arrangement in which two or more of the parties have joint control. Joint control means agreed-upon contractual sharing of the control over an arrangement, which exists only when decisions regarding the relevant activities require the unanimous consent of the parties that share control.

Joint transactions are joint arrangements in which the Group has rights to the net assets of the arrangement. Investments in joint transactions are accounted for using the equity method and are initially recognized at cost.

The Consolidated Financial Statements include the Group's share of the income and expenses in profit or loss and of other comprehensive income of equity-accounted investees, from the date that joint control commences until the date that joint control ceases.

**Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements. Unrealized gains arising from transactions with joint transactions are eliminated against the investment to the extent of the Group's interest in these investments.

**(5) Business combination**

Acquisitions of operations and consolidated companies which constitute a business are measured using the acquisition method. The purchase consideration in respect of the business combination is measured as the aggregate fair value (as of the acquisition date) of assets which were given and liabilities which materialized for the Group, in exchange for obtaining control of the acquired entity.

The identifiable assets and liabilities of the acquired business which meet the conditions for measurement in accordance with IFRS 3 (Revised), Business Combinations (hereinafter: "IFRS 3"), are recognized according to their fair value on the acquisition date.

**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 Reporting Date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated according to the exchange rate at the end of the year.

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Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value, are translated to the functional currency according to the exchange rate as of the date when the fair value was determined. 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.

**(2) Foreign operations**

The assets and liabilities of foreign operations are translated to NIS at exchange rates at the Reporting 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 received from or granted to foreign operations, including foreign operations that are subsidiaries, 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 subsidiaries which constitute 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) General**

Financial assets are recognized in the statement of financial position when the Group becomes a party to the instrument's contractual terms.

Investments in financial assets are initially recognized at fair value plus transaction costs, except for financial assets which are classified under fair value through profit and loss, which are initially recognized at fair value.

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Transaction costs in respect of financial assets at fair value through profit or loss are charged immediately as an expense to profit or loss.

After initial recognition, financial assets are measured at amortized cost or at fair value, depending on their classification.

**(B) Classification of financial assets**

Debt instruments are measured at amortized cost upon the fulfillment of the following two conditions:

- The Group's business model is to hold the assets with the aim of collecting contractual cash flows, and
- The contractual terms of the asset establish precise dates when the contractual cash flows will be received which constitute principal and interest payments only.

All other financial assets are measured at fair value through profit and loss, except for financial instruments designated as hedging instruments for hedge accounting.

**(C) Financial assets measured at amortized cost and the effective interest method**

The amortized cost of a financial asset is the amount at which the financial asset is measured upon initial recognition, after deducting principal payments, plus or less accumulated amortization, using the effective interest method, of any difference between the initial amount and the repayment amount, adjusted for the loss provision, if any.

The effective interest method is a method which is used to calculate the amortized cost of a debt instrument, and to allocate and recognize the interest income in profit or loss over the relevant period. The effective interest rate is the rate which discounts the projected future cash flows over the financial liability's expected lifetime to its gross carrying amount.

Interest income is calculated using the effective interest method. The calculation is performed by applying the effective interest rate to the gross carrying amount of a financial asset.

**(D) Derecognition of financial assets**

The Group derecognizes a financial asset only when the contractual rights to the cash flows from that financial asset have expired.

**(2) Financial liabilities****(A) Classification as a financial liability or as an equity instrument**

Liabilities and equity instruments which were issued by the Group are classified as financial liabilities or as equity instruments in accordance with the nature of the

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contractual arrangements, and the definition of a financial liability and equity instrument.

**(B) Equity instruments**

An equity instrument is any contract indicating residual interests in the Group's assets, following the amortization of all of its liabilities. Equity instruments which were issued by the Group are recorded according to their issuance consideration, after deducting expenses which are directly attributable to the issuance of those instruments.

**(C) Financial liabilities and equity instruments which have been issued by the Company**

**Convertible instruments**

**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 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.

**Proceeds from issuance of options** - Proceeds from the issuance of options to acquire shares in the Company, which give their holder the right to acquire a fixed number of ordinary shares in consideration for a fixed amount of cash, are presented in equity under "receipts on account of options".

**Financial liabilities at amortized cost**

Financial liabilities at amortized cost are initially recognized at fair value after deducting transaction costs. Following the date of initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The effective interest method is a method for calculating the amortized cost of a financial liability, and for allocating the interest expenses throughout the relevant

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credit period. The effective interest rate is the rate which discounts the forecasted future cash flows over the expected lifetime of a financial liability to its amortized carrying value.

Interest expenses are calculated using the effective interest method.

**(D) Financial liability in respect of tax partner in the United States**

For details, see Section q(5) below.

**(E) Derecognition of financial liabilities**

The Group derecognizes a financial liability only when the financial liability has been repaid, or has canceled or expired. The difference between the carrying amount of the settled financial liability, and the consideration which was paid, is recognized under profit or loss.

**(3) Offsetting of financial instruments**

Financial assets and liabilities are offset and the net amounts presented in the statement of financial position when the Group has a currently enforceable legal right to offset the amounts recognized and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

**(4) Hedge accounting****(A) General**

The Group uses various derivative financial instruments in order to manage the exposures to changes in currency rates, interest rates and electricity prices. For additional details 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.

Beginning with the Financial Statements for 2021, the Group had prospectively adopted the hedge accounting model according to IFRS 9 as its accounting policy, in accordance with the standard's transitional provisions. On the date of the transition from the hedge accounting model according to IAS 39 to the hedge accounting model according to IFRS 9, the above had no effect whatsoever on the Company's capital.

On date of engagement in the hedge transaction, the Group formally documents the relationship between the hedging instrument and the hedged item.

This process of documentation includes the identification of the hedging instrument, the hedged item, the nature of the hedged risk, the hedge ratio, the objective of risk management, and the Group's strategy for executing the hedge, as well as the way in which the Group evaluates whether the hedge relationship meets the requirements for

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hedge effectiveness, including its analysis of the sources for the hedge's ineffectiveness, and the impact of the hedging instrument's credit risk on the economic link between the hedging instrument and the hedged item, if any.

The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated. Additionally, beginning with commencement of the hedge relationship, and throughout its entire period, the Group documents the extent to which the hedging instrument is effective in offsetting the exposure to changes in fair value or cash flows in respect of the risk that is hedged on the hedged item.

The hedge is effective when the hedge relationship meets all of the following hedge requirements:

- There is an economic link between the hedged item and the hedging instrument;
- The impact of credit risk is not more dominant than changes in value due to that economic link; and
- The hedge ratio of the hedge relationship is identical to the ratio resulting from the amount of the hedged item which the Company hedges in practice, and the amount of the hedging instrument which the Group uses in practice to hedge the foregoing amount of the hedged item.

**(B) Cash flow hedge**

For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect profit or loss.

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 and to hedge the Wibor interest rate in Poland, in the statement of financial position, while adjusting the fair value as stated above, when required.

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Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below:

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. 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.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued. The cumulative gain or loss previously recognized in the hedging reserve through other comprehensive income remains in the reserve until the forecasted transaction occurs or is no longer expected to occur. If the forecasted transaction is no longer expected to occur, then the cumulative gain or loss previously recognized in the hedging reserve in respect of the hedging instrument is reclassified to profit or loss. In other cases, the amount recognized in the hedging reserve is transferred to profit or loss in the same period that the hedged item affects profit or loss.

As of the Reporting 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, and in connection with project loans at variable interest in Poland, through interest rate caps on the variable interest rate. For additional details, see Note 31.

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. 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.

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**(C) Hedging of net investment in a foreign operation**

The Group applies hedge accounting to the net investment in foreign operations.

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. The non-effective portion is recognized in profit or loss.

Amounts carried to other comprehensive income are classified to profit or loss upon the realization of the investment in the foreign operation, and upon partial realization of the foreign operation which involves loss of control. Changes in the fair value of hedging instruments which do not meet the definition of hedge accounting are recognized in the statement of income. 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 additional details, see Note 31b(3)(a).

**(5) 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.

**(6) Splitting of consideration from the issuance of a package of securities and issuance costs**

The consideration received from the issuance of a package of securities that comprises several equity instruments allocated in proportion to their fair values. The fair value of each component in the package that is measured at fair value, as above, is determined based on the market prices of the securities shortly after their issuance. Issuance costs are allocated among each of the components of the package in proportion to the fair value determined for each of the issued components. Issuance costs that were attributed to financial liabilities that are measured at fair value through profit or loss are recognized in profit or loss on the date of issuance. Issuance costs that were attributed to other financial liabilities are deducted from the liability and recognized in profit or loss by the effective interest method. Issuance costs that were attributed to equity instruments are presented as a deduction from equity.

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**(7) Embedded derivatives:**

Derivatives embedded in a host contract are separated from the host contract if their economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract. Changes in the fair value of embedded derivatives are separated out and carried to the statement of income.

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.

**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 restricted until the grid connection of all of the projects in Virginia Projects 2.

Up to and including the financial statements as of June 30, 2022, the Company classified short term deposits which are withdrawable on demand, which are subject to restrictions due to contractual obligations with third parties, as specified above, as an "unpledged deposit" under the Company's current assets, in accordance with the period of the contractual obligation.

During the Reporting Period, the International Financial Reporting Interpretations Committee (IFRIC) published a final decision, according to which the restrictions which apply to cash and deposits which are withdrawable upon request, due to contractual obligations, as stated above, which apply to those balances, and despite the fact that the use of cash for purposes other than those defined in the finance agreements results in breach of the agreements – it does not exclude those balances from the definition of "cash and cash

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equivalents” for the purpose of presenting them in the statement of financial position, and for the purpose of classifying them in the Company’s statement of cash flows, so long as they are not deposited in pledged or restricted accounts, but rather are withdrawable on demand. Accordingly, beginning with the financial statements as of September 30, 2022, the Company classifies such deposits under the item for “dedicated deposits” in the Company’s statement of financial position and statement of cash flows.

Accordingly, the Company adjusted, by way of retrospective adoption, the comparative figures in the statements of financial position and in the statements of cash flows, which are included in these financial statements and which refer to previous periods, in order to retrospectively reflect therein the impact of the change in the presentation method.

**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 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 3h.

For details regarding the conditions for attributing initiation and other costs to fixed assets (electricity production projects in initiation 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 - photovoltaic facilities and wind farms.

Spare parts, auxiliary equipment and backup equipment are classified as fixed assets to the extent that they meet the definition of fixed assets in IAS 16, otherwise they are carried to inventory. 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. Gains and losses on disposal of a fixed asset item are determined by comparing the net consideration from disposal with the carrying amount of the asset, and are recognized net within “other income” or “other expenses”, as relevant, in profit or loss.

**(2) Subsequent costs**

The cost of replacing part of a fixed asset item and other subsequent costs are capitalized if it is probable that the future economic benefits associated with them will flow to the Group and their cost can be measured reliably. The carrying amount of the replaced part of a fixed asset item is derecognized. The costs of day-to-day servicing are recognized in profit or loss as incurred.

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**(3) Write-down of fixed assets**

Depreciation is a systematic allocation of the depreciable amount of an asset over its useful life. The depreciable amount is the cost of the asset less its residual value.

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.

The method of depreciation of the fixed assets reflects the expected pattern of consumption of the future economic benefits that are embodied in the asset. In general, the Group depreciates its electricity production systems (photovoltaic and wind farms) using the straight line method.

The estimated useful lives and the rates of depreciation that are used in calculating the depreciation are as follows:

	<b>Useful life</b>	<b>% of depreciation</b>	<b>Depreciation method</b>
A. Electricity production systems - wind energy	30 years	~3.33	Straight-line
B. Electricity production systems - photovoltaic energy (*)	20-23 years	4.35-5	Straight-line
C. Transformers	7 years 3-16	~14.33	Straight-line
D. Office furniture and equipment	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 reversals are recognized in the items for 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 in the item for systems maintenance and other expenses (in the amount of the reversal of impairment, if any) or

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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 photovoltaic systems in the United States) are recognized as inventory according to the price specified in the agreement.

For additional information, see Note 3m(2).

#### **H. Capitalization of borrowing costs**

Specific borrowing costs were directly capitalized for the construction of electricity production 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.

Other borrowing costs are recognized in profit or loss as 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 deducted 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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**Notes to the Consolidated Financial Statements**

**J. Impairment**

**(1) Non-derivative financial assets**

In respect of trade receivables, the Group adopts the lenient approach to the measurement of a provision for impairment, according to the probability of insolvency throughout the instrument's entire lifetime. The expected credit losses throughout the instrument's entire lifetime are the projected credit losses due to all possible default events during the expected lifetime of a financial instrument. The evaluation regarding whether to recognize a provision for impairment according to the expected credit losses throughout the instrument's entire lifetime is based on the risk of default after the initial recognition date, and not only when objective evidence of impairment exists on the Reporting Date, or when a default has actually occurred.

**Measurement and recognition of expected credit losses**

The measurement of expected credit losses is a function of the probability of a default event, the amount of loss in case of a default event, and the maximum exposure to loss in a default event. The estimated probability of a default event, and the amount of loss, are based on historical data, adjusted according to Forward-Looking Information.

In respect of financial assets, the maximum exposure to loss in a default event is the gross carrying amount of the financial asset on the Reporting Date. Expected credit losses are the difference between the contractual cash flows which the Group is entitled to receive in accordance with the agreement, and all of the cash flows which the Group expects to receive, discounted by the original effective interest rate.

The Group recognizes impairment loss (profit from reversal of impairment) in the statement of income for all financial instruments, against an adjustment to their carrying amount through an impairment provision account.

**(2) Non-financial assets**

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each Reporting Date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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 cash flows 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.

An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount and is carried to profit or loss.

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**K. Employee benefits**

The Group has a number of post-employment benefit plans. The plans are usually financed by deposits with insurance companies or with funds managed by a trustee.

**(1) Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. The Group's obligations for contributions to a defined contribution plan are recognized as an expense in profit or loss in the periods during which related services are rendered by employees.

**(2) Short term employee benefits**

Short term employee benefits are benefits which are expected to be settled, in full, within 12 months after the end of the year in which the service signifying the employee's eligibility was given.

A provision for short term employee benefits is created in respect of the amount that is expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The employee benefits are classified, for measurement purposes, as short term benefits or as other long term benefits depending on when the Group expects the benefits to be wholly settled.

**(3) Other long term employee benefits**

Long term employee benefits are benefits which are expected to be settled during a period exceeding 12 months after the end of the period in which the service signifying the employee's eligibility was given.

**(4) Shared-based payment transactions**

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

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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 which was granted, with each sub-grant being treated as a separate series (graded vesting).

#### **L. Provisions**

A provision 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 economic benefits will be required to settle the obligation.

##### **Provision for legal claims**

A provision for legal claims is recognized when the Group has a present legal obligation or constructive obligation as a result of a past event, where it is more likely than not that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated.

#### **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. For details regarding the amendment to IAS 16, Property, Plant and Equipment (regarding proceeds before intended use), see Section T. below.

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 the production and sale of green certificates**

The 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 and were recorded against the inventory of green certificates, and are presented in a separate revenue item, revenue from the production of green certificates. When realizing the certificate, revenues from the sale of green certificates are recognized according to the actual selling price when the profit or loss, as applicable, is recorded under the items for other revenues or systems maintenance and other expenses, in respect of the period when the certificates were sold. Impairment and cancellation of green certificates are presented

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under the item for systems maintenance and other expenses. 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 photovoltaic projects in the United States), 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 production 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 additional details regarding the electricity sale arrangement in Poland by virtue of tenders, see Note 9(b)(4)(b).

**(4) Revenues from the construction of facilities for third parties**

The Group recognizes revenues from the construction of photovoltaic 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 Reporting 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.

**N. Leases**

**General:**

The Group customarily leases lands and building rooftops for the installation and operation of photovoltaic systems and wind farms.

The Group assesses whether a contract is a lease (or includes a lease) on the date when it enters into the contract. The Group recognizes a right-of-use asset on the one hand, and a lease liability on the other hand, in respect of all of the lease contracts in which it is the lessee, excluding short term leases (for a period of up to 12 months) and leases of low value assets, for which the Group recognizes lease payments as an operating expense on a straight line basis throughout the lease period.

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**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 production 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 production facilities, costs pertaining to lease conclusion, the arrangement 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 United States.

Right-of use assets are presented under a separate item in the statement of financial position. Assets in respect of prepaid land lease expenses which were recorded in previous periods, under the item with the above referenced name, are included under right-of-use assets beginning from the application date of IFRS 16, "Leases".

The Group applies the provisions of IAS 36, Impairment Of Assets, in order to determine whether the right-of-use asset has been impaired, and to account for any identified impairment loss.

**Lease liability**

The lease liability is presented under the item for long term lease liabilities in the statement of financial position. Liabilities due for repayment in the coming 12 months are recorded under the item for current maturities of short term lease liabilities in the statement of financial position.

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.

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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. After the initial measurement, the lease liability is measured by increasing the carrying value in order to reflect the interest on the lease liability according to the effective interest method, and by decreasing the carrying value in order to reflect the lease payments which have been made.

The Group remeasures the lease liability (against adjustment for the right-of-use asset) when:

- The lease period has changed. In that case, the lease liability is measured by discounting the updated lease payments, using an updated discount rate;
- 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.

Variable lease payments which are not linked to an index or exchange rate are not included in the measurement of the lease liability and right-of-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. Financing income and expenses**

Financing income comprises interest income on funds which were invested or loans which were given, and changes in the fair value of financial instruments at fair value through profit or loss.

Interest income is recognized as it accrues, using the effective interest method. Changes in the fair value of financial assets at fair value through profit or loss also include interest income.

Financing expenses comprise bank commissions and interest expenses in respect of issued bonds, received loans, lease liabilities and changes in the fair value of financial instruments which are presented at fair value through profit or loss.

Borrowing costs, which are not capitalized to qualifying assets, are recognized as financing expenses in the statement of income using the effective interest method. 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.

**P. Initiation expenses**

The Company recognizes in profit or loss all of the initiation expenses in respect of projects that is 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).

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**Q. Taxes on income**

**(1) General**

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 Reporting 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 arrangements, 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.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the Reporting Period, to recover or settle the carrying amount of its assets and liabilities.

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 Reporting Date.

A deferred tax asset is recognized for unused tax losses, tax benefits 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 Reporting Date and are reduced to the extent that it is no longer probable that the related tax benefit 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.

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**(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 United States and agreement with the Tax Partner in respect thereof**

Entrepreneurs which hold photovoltaic projects in the United States are entitled, by virtue of the provisions of US law, to a tax benefit (ITC - Investment Tax Credit), which can be offset against federal tax liability in the United States. 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 benefits to them, in consideration of an amount that it will invest in the project (hereinafter: the “**Tax Partner**”).

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: the “**Tax Benefit**”), 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 the item for the liabilities in respect of the agreement with the Tax Partner, in 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 benefits 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 benefit), except in respect of the depreciation benefits, which are carried to the statement of income throughout the benefit period, usually 12 years.

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

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can be used against its taxable income. 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 benefits).

For additional details regarding agreements with the Tax Partners and the tax benefits in the Group's projects in the United States, see Note 9b(2) below.

**R. Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the Reporting Period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees (share-based payment) and to investors, and bonds convertible to shares.

**S. Transactions with controlling shareholder**

Assets and liabilities included in a transaction with a controlling shareholder are measured at fair value on the date of the transaction. The difference between the fair value and the consideration from the transaction is carried directly to equity.

**T. 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.

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**New financial reporting standards, interpretations which have been published, and amendments to standards**

**New standards, new interpretations and amendments to standards which affect the current period and/or previous reporting periods:**

**A. Dedicated and restricted cash:**

The Company classified as a dedicated deposit a part of the Tax Partner's investment, which was restricted until all of the projects in Virginia Projects 2 are connected to the grid. Up to and including the financial statements as of June 30, 2022, the Company classified short term deposits which are withdrawable on demand, which are subject to restrictions due to contractual obligations with third parties, as specified above, as an "unpledged deposit" under the Company's current assets, in accordance with the period of the contractual obligation.

During the Reporting Period, the International Financial Reporting Interpretations Committee (IFRIC) published a final decision, according to which the restrictions which apply to cash and deposits which are withdrawable upon request, due to contractual obligations, as stated above, which apply to those balances, and despite the fact that the use of cash for purposes other than those defined in the loan agreements results in breach of the agreements – it does not exclude those balances from the definition of "cash and cash equivalents" for the purpose of presenting them in the statement of financial position, and for the purpose of classifying them in the Company's statement of cash flows. Accordingly, beginning with these financial statements, the Company is classifying such deposits under the item for "dedicated deposits" in the Company's statement of financial position and statement of cash flows.

Accordingly, the Company adjusted, by way of retrospective adoption, the comparative figures in the statements of financial position and in the statements of cash flows, which are included in these financial statements and which refer to previous periods, in order to retrospectively reflect therein the impact of the change in the presentation method.

**B. Amendment to IAS 16, Property, Plant and Equipment (regarding proceeds before intended use)**

The amendment prohibits deducting from the cost of an item of property, plant and equipment the net proceeds from the sale of any items which were produced for the purpose of bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples which are produced when evaluating the asset's proper operation). The proceeds from the sale of such items, and their production cost, will be recognized in the statement of income. The cost of such items will be measured in accordance with the provisions of IAS 2, Inventories. Disclosure will be given in the notes regarding the amounts of proceeds and costs which were included in the statement of income in respect of these items, and under which items they were included.

The amendment clarifies that the "evaluation of the asset's proper operation" means evaluating whether the asset's technical and physical performance are such that allow the asset to be used in the production or provision of goods or services, for rental to others, or for administrative purposes.

The amendment will be applied to annual reporting periods beginning on or after January 1, 2022. Early adoption is permitted.

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**Standards, interpretations and amendments to standards which have been published are no longer in effect, and which have not been adopted early by the Group, which could have an impact on future periods:**

**A. Amendment to IAS 12, Income Taxes (regarding deferred taxes in respect of assets and liabilities arising from the same transaction)**

the amendment clarifies that the initial recognition exemption for deferred taxes does not apply to transactions which, on the date of initial recognition of the resulting asset and liability, create both a deductible temporary difference and a taxable temporary difference, in equal amounts. Deferred taxes should therefore be recognized in respect of these temporary difference.

The amendment applies to annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted. The amendment will be adopted retrospectively in respect of transactions which took place beginning from the earliest comparison period which is presented in the Financial Statements.

The Company believes that the adoption of the amendment is not expected to affect its financial statements.

**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 rights which existed as of the end of the Reporting Period, and is not affected by the entity’s projection regarding the realization of that right.

The amendment removed the reference to the existence of an unconditional right, and clarified that if the 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 Reporting Period, even if the evaluation regarding the fulfillment of the covenants was made by the lender at a later date.

The amendment also included the addition of a definition of the term “settlement”, in order to clarify that settlement can mean a transfer of cash, goods and services or equity instruments of the entity itself, to the counterparty. In this regard, it was clarified that if, in accordance with the terms of the liability, the counterparty has the option to demand settlement through the entity’s equity instruments, this condition will not affect the classification of the liability as current or non-current if the option is classified as a separate equity component in accordance with IAS 32, Financial Instruments: Presentation.

The amendment only affects the classification of liabilities as current or non-current in the statement of financial position, and not the amount or timing of the recognition of those liabilities or income, and their associated expenses.

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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 Reporting 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 Reporting Period, even if the fulfillment thereof is effectively in practice after the end of the Reporting Period.

The 2022 amendment determines that if the entity’s right to defer the settlement of the liability is subject to the condition that the entity must fulfill financial covenants within 12 months after the end of the Reporting Period, the entity is required to provide disclosure which will allow the users of the financial statements to understand the associated risk. The Company believes that the adoption of the amendment is not expected to affect its financial statements.

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**Note 4 - Cash and Cash Equivalents**
**A. Composition:**

	<b>As of December 31</b>	<b>As of December 31</b>	
	<b>2022</b>	<b>2022</b>	<b>2021</b>
	<b>%</b>	<b>NIS in thousands</b>	
Balances in banks		135,634	372,121
Money market funds (*)		148,755	66
Short term bank deposits	3.5-6.3	180,730	202,923
		465,119	575,110

(\*) 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 - Long Term Dedicated Deposit and Restricted Cash**

	<b>As of December 31</b>	
	<b>2022</b>	<b>2021</b>
	<b>NIS in thousands</b>	
Dedicated deposit (*)	34,435	30,433
Long term restricted cash (**)	57,205	51,223

(\*) As of the Reporting Date, the balance of the short term dedicated deposit includes dedicated cash which was received from the Tax Partner in Virginia Projects 2. As of the Approval Date of the Report, this amount has been amortized to a total of approximately USD 1 million, see also Note 14g2.

(\*\*) As of the Reporting 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>2022</b>	<b>2021</b>
	<b>NIS in thousands</b>	
Balance of IEC customer	12,603	1,640
Income receivable from sales of green certificates in Poland and in the United States	-	9,378
Income receivable from IEC	17,197	6,274
Income receivable from the sale of electricity in Poland and in the	60,120	8,664
	89,920	25,956

**Note 7 - Green Certificates**

	<b>As of December 31</b>			
	<b>2022</b>		<b>2021</b>	
	<b>NIS in thousands</b>			
	<b>Poland</b>	<b>USA</b>	<b>Total</b>	<b>Total</b>
Opening balance	13,885	41	13,926	22,892
Production during the period	48,484	6,664	55,148	59,500
Sales during the period	(37,280)	(6,367)	(43,647)	(72,663)
Less - income receivable from sales of green certificates in Poland	-	-	-	5,786
Impairment	(4,083)	-	(4,083)	(397)
Effect of changes in exchange rates (*)	1,075	5	1,080	(1,192)
	22,081	343	22,424	13,926

(\*) Changes in exchange rates due to the Company's activity in Poland and the United States. The changes in exchange rates were carried to the reserve for translation differences.

**Additional details:**

1. This item includes balances in respect of other certificates in Israel and in Poland.
2. As of the Reporting Date and as of the Approval Date of the Report, all of the renewable energy certificates in the United States were sold at a fixed price, for a period of approximately 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 effective sale price in 2022 and in 2021 was PLN 145.31 and PLN 164.34, respectively. For details regarding fixed price transactions with respect to green certificates, see Note 9, Section b(4)(c)(7).

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**Note 8 - Receivables and Debit Balances**
**A. Short term**

	<b>As of December 31</b>	
	<b>2022</b>	<b>2021</b>
	<b>NIS in thousands</b>	
Institutions	54,777	99,510
Suppliers of fixed assets	409	172
Derivative financial instruments	18,533	80,199
Prepaid expenses	6,690	4,617
Investee companies (*)	-	1,107
Others (**)	8,468	18,722
	<b>88,877</b>	<b>204,327</b>

(\*) Represents current balances of owners' debit/credit. See also note 25f.

(\*\*) As of December 31, 2021, mostly includes a loan which was given to the Company's CEO in the amount of NIS 13 million, which was repaid during the Reporting Period. For additional information, see Note 25.

As of December 31, 2022, mostly includes receivable balances in respect of projects in the United States.

**B. Long term**

	<b>As of December 31</b>	
	<b>2022</b>	<b>2021</b>
	<b>NIS in thousands</b>	
Derivative financial instruments	112,011	108,389
Loans to third parties (*)	7,799	6,741
Prepaid expenses	20,304	1,477
	<b>140,114</b>	<b>116,607</b>

(\*) Loan given to a previous entrepreneur in a project of the Company.

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**Note 9 - Electricity Production Systems Connected and Under Construction, and Other Fixed Assets**
**A. Composition and movement:**

	<u>Connected photovoltaic systems</u>	<u>Connected wind systems</u>	<u>Systems under construction and initiation</u>	<u>Other fixed assets</u>	<u>Total</u>
	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>	<u>2,103,280</u>	<u>1,204,085</u>	<u>1,813,125</u>	<u>22,523</u>	<u>5,143,013</u>
<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>	<u>252,850</u>	<u>144,387</u>	<u>-</u>	<u>9,561</u>	<u>406,798</u>
<b><u>Amortized cost</u></b>					
<b>Balance as of December 31, 2022</b>	<u>1,850,430</u>	<u>1,059,698</u>	<u>1,813,125</u>	<u>12,962</u>	<u>4,736,215</u>

(\*) Includes a total of approximately NIS 46,775 thousand in respect of borrowing costs which were discounted for systems under construction during the Reporting Period, of which approximately NIS 35,366 thousand were discounted in respect of non-specific credit.

(\*\*) Changes in exchange rates due to the Company's activity in Poland and the United States. The changes in exchange rates were carried to a reserve for translation differences.

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	<u>Connected photovoltaic systems</u>	<u>Connected wind systems</u>	<u>Systems under construction and initiation</u>	<u>Other fixed assets</u>	<u>Total</u>
	NIS in thousands				
<b><u>Cost</u></b>					
<b>Balance as of January 1, 2021</b>	1,193,844	693,683	782,722	12,063	2,682,312
Initial consolidation	-	-	74,772	-	74,772
Deconsolidation	(31,232)	-	-	-	(31,232)
Additions during the year (*)	1,543	-	1,142,951	6,121	1,150,615
Reclassified from systems under construction to connected systems	457,140	-	(457,140)	-	-
Derecognitions during the year	-	-	-	(484)	(484)
Effect of changes in exchange rate (***)	(24,804)	(74,697)	(50,654)	-	(150,155)
<b>Balance as of December 31, 2021</b>	<u>1,596,491</u>	<u>618,986</u>	<u>1,492,651</u>	<u>17,700</u>	<u>3,725,828</u>
<b><u>Accumulated depreciation</u></b>					
<b>Balance as of January 1, 2021</b>	145,250	106,948	-	4,925	257,123
Deconsolidation	(7,540)	-	-	-	(7,540)
Additions during the year	46,996	21,970	-	1,731	70,697
Derecognitions during the year	-	-	-	(262)	(262)
Effect of changes in exchange rate (***)	(818)	(13,161)	-	-	(13,979)
<b>Balance as of December 31, 2021</b>	<u>183,888</u>	<u>115,757</u>	<u>-</u>	<u>6,394</u>	<u>306,039</u>
<b><u>Amortized cost</u></b>	-	-	-	-	-
<b>Balance as of December 31, 2021</b>	<u>1,412,603</u>	<u>503,229</u>	<u>1,492,651</u>	<u>11,306</u>	<u>3,419,789</u>

(\*) For additional details regarding the acquisition of NCRE, see Section b(2)(g) below.

(\*\*) Includes a total of approximately NIS 23,714 thousand in respect of borrowing costs which were discounted for systems under construction, of which approximately 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 United States. 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 production systems and systems in construction and initiation stages as of the Reporting Date (the figures are as of the Reporting Date, in millions of NIS, unless stated otherwise):

**Connected electricity production systems**

Presented below is a review of the projects which are included under the item for connected electricity production systems as of the Reporting Date:

Electricity production projects	Photovoltaic projects in Israel					Photovoltaic projects in the United States	
	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 processes (3)	Virginia Projects 1	Virginia Projects 2
<b>Technology</b>	Photovoltaic	Photovoltaic	Photovoltaic	Photovoltaic	Photovoltaic	Photovoltaic	Photovoltaic
<b>Country</b>	Israel	Israel	Israel	Israel	Israel	USA	USA
<b>Status</b>	Commercially active since 2010-2011	Commercially active since December 2014	Commercially active since Q4 2018	Commercially active since Q4 2019 and since Q1 2020	Process 3 - commercially active since 7/21-10/22 Process 4 - commercially active since 10/22	Commercially active since the 2nd and 3rd quarters of 2020	Commercially active since the 2nd quarter of 2021
<b>Installed capacity</b>	3.2MWp	37.5MWp	90MWp	62MWp	99MWp: process 3, 38MWp: process 4	82MWp	142MWp
<b>% Legal ownership</b>	100%	100%	97%	70%	70%	58%	117MWp - 100%
<b>% in results and cash flows (1)</b>	100%	100%	97%	91%	91%	100%	25MWp - 58%

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Electricity production projects	Photovoltaic projects in Israel					Photovoltaic projects in the United States	
	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 processes (3)	Virginia Projects 1	Virginia Projects 2
<b>Revenue structure</b>	Tariff per 1KWh for 2022: NIS 1.62	Tariff per 1KWh for 2022: NIS 0.663	Tariff per 1KWh for 2022: NIS 0.207	Tariff per 1KWh for 2022: NIS 0.204	Tariff per 1KWh for 2022: NIS 0.186	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.
<b>Depreciated cost (in millions of NIS)</b>	14	193	234	180	323	359	547
<b>Presented under balance sheet item</b>	Connected electricity production systems	Connected electricity production systems	Connected electricity production systems	Connected electricity production systems	Connected electricity production systems	Connected electricity production systems	Connected electricity production systems
<b>Revenue in 2022 (in millions of NIS)</b>	8.6	44.4	31.1	20.8	25.2	18.3	23.2
<b>Revenue in 2021 (in millions of NIS)</b>	11.8	45.1	31.6	21	3.1	18.7	7.4
<b>Additional information</b>	See Notes 9b(1)	See Note 9b(1)	See Note 9b(1)	See Note 9b(1)	See Note 9b(1)	See Note 9b(2)	See Note 9b(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

**Wind projects in Poland**

Electricity production projects	Banie Project 1+2	Hawa Project	Banie Stage 3	Sepopol
<b>Technology</b>	Wind	Wind	Wind	Wind
<b>Country</b>	Poland	Poland	Poland	Poland
<b>Status</b>	Commercially active since December 2015 - June 2016	Commercially active since June 2016	Commercially active since the 3rd quarter of 2022	Commercially active since the 3rd quarter of 2022
<b>Installed capacity</b>	106 MW	13.2MW	82 MW	44 MW
<b>% Legal ownership</b>	100%	100%	100%	100%

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**Wind projects in Poland**

<b>Electricity production projects</b>	<b>Banie Project 1+2</b>	<b>Hawa Project</b>	<b>Banie Stage 3</b>	<b>Sepopol</b>
<b>% effective stake (2)</b>	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 fixed price transactions) Subsequently, and over a period of 11 years, a CPI-linked fixed tariff.	
<b>Depreciated cost (in millions of NIS)</b>	462	54	342	201
<b>Presented under balance sheet item</b>	Connected electricity production systems	Connected electricity production systems	Connected electricity production systems	Connected electricity production systems
<b>Revenue in 2022 (in millions of NIS)</b>	209.7	14.3	55.8	19.7
<b>Revenue in 2021 (in millions of NIS)</b>	112.5	15.5	1.0	-
<b>Additional information</b>	See Note 9b(4)	See Note 9b(4)	See Note 9b(4)	See Note 9b(4)
<b>Details regarding project finance</b>			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.
2. The above information includes projects with a capacity of 23MW from competitive process 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 the item for systems under construction and initiation.

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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 the item for systems under construction and initiation as of the Reporting Date:

Electricity production projects	Israel			Poland		USA	
	Clean wind energy	First competitive process for ultra-high voltage systems	Second competitive process for high voltage systems including storage capabilities	Lubanowo	Banie Stage 4	Projects under construction in Virginia (VA)	Project under construction in Pennsylvania (PA)
<b>Technology</b>	Wind	Photovoltaic	Photovoltaic including storage capabilities	Photovoltaic	Wind	Photovoltaic	Photovoltaic
<b>Country</b>	Israel	Israel	Israel	Poland	Poland	USA	USA
<b>Status</b>	Construction	Construction	Construction	Construction	Construction	Construction	Construction
<b>Capacity</b>	104 MW	87 MW	180MW (Including 320MWh of storage)	12MWp	56 MW	312MWp	104 MW
<b>% Legal ownership</b>	81%	70%	100%	100%	100%	In respect of 186MWp: 100%	100%
<b>% in results and cash flows (1)</b>	(3) 100%	91%	100%	100%	100%	In respect of 126MWp: 58%. Share in results and in net cash flows - 100%	100%
<b>Revenue structure</b>	Sale to the Electric Corporation at a CPI-linked tariff of 0.293 agorot per produced KWh, for 20 years after the date of commercial operation	CPI-linked fixed tariff for 23 years. Produced 1KWh, at a tariff of NIS 0.155 (4)	CPI-linked tariff until the end of 2045. Produced 1KWh, at a tariff of NIS 0.188	Sale on the market (including fixed price transactions) and/or CPI-linked tender price	During the first 3 years, most of the output will be at market prices (including fixed price transactions). Subsequently, and over a period of 13 years, a CPI-linked fixed tariff.	Electricity - Long term agreement for sale, at a fixed price, to the Electric Corporation or to the end consumer. Green certificates - Long term sale agreement at a fixed price.	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.
<b>Cost as of the Reporting Date (in millions of NIS)</b>	356	136	80	23	261	297	56
<b>Additional information</b>	See Note 9b(5)	See Note 9b(4)	See Note 9b(1)	See Note 9b(3)	See Note 9b(4)	See Note 9b(2)	See Note 9b(2)

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	Israel			Poland		USA	
<b>Electricity production projects</b>	<b>Clean wind energy</b>	<b>First competitive process for ultra-high voltage systems</b>	<b>Second competitive process for high voltage systems including storage capabilities</b>	<b>Lubanowo</b>	<b>Banic Stage 4</b>	<b>Projects under construction in Virginia (VA)</b>	<b>Project under construction in Pennsylvania (PA)</b>
<b>Project finance or tax partner, as applicable</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

(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 details 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%, in addition to the management fee in respect of services which it will provide to the Company. After the repayment of the entire financing amount, and the payment of the additional funds, 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 15.6 agorot per installed 1KWp.

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**B. Additional information regarding the main projects in the Photovoltaic Segment and in the Wind Energy Segment, beginning from the advanced initiation stage, which are included under the items for connected electricity production systems and systems under construction and initiation, as of the Reporting Date:**

**(1) Projects in the Photovoltaic Segment in Israel**

From July 2016 to July 2020 (the “**Exclusivity Period**”), the Company’s activity in the Photovoltaic Segment 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 Photovoltaic Segment is being promoted by the Company independently. For additional details regarding the joint venture and the Company’s initiation activities in the Photovoltaic Segment in Israel, see Note 15a(1).

**(A) General**

The Company’s activity in the Photovoltaic Segment in Israel, is based on arrangements 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 arrangement by virtue of which the projects were built (a “feed in tariff” quota or winning a fixed tariff for a quota in a competitive process over tariffs). In accordance with an announcement of the Electricity Authority, beginning in 2020, competitive processes for guaranteed tariffs for the construction of facilities in the Photovoltaic Segment in Israel including storage capabilities. In accordance with an arrangement which was published by the Electricity Authority regarding the opening of the power market, beginning on January 1, 2024, the Company has the right to transfer a project whose construction was completed under the terms of the tariff arrangement to the market arrangement, under which the project company may engage with a private provider and sell the electricity to it, in accordance with the period and electricity price which will be determined between the parties as part of the commercial agreement.

**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.

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**Financing** - The projects which are built by the Company as part of its activity in the Photovoltaic 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 details 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 photovoltaic projects. 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.

**(B) Additional details regarding projects in the commercial operation stage in the Photovoltaic Segment in Israel**

- 1) **Sale of the Company's share in the Granot project (1.7MWp - the Company's share)** - 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 photovoltaic systems with a total capacity of 3.4MWp (Company's share: 1.7 MWp), in consideration of approximately NIS 25.4 million. as a result of the transaction the Company recognized, in the financial statements for 2022, profit in the amount of approximately NIS 18 million, which was carried to the item for capital gains from the sale of an investee partnership, in respect of which tax expenses in the amount of approximately 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) **Winning projects in the third and fourth competitive processes (up to 137MWp):** As of the Approval Date of the Report, 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).

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**(C) Additional details regarding projects under construction and in pre-construction in the Photovoltaic Segment in Israel**

**1. Julis ultra-high voltage project with a capacity of approximately 87MWp**

During the Reporting Period, approval was given for the plan for the construction of the Julis project with a capacity of approximately 87MWp, which the Company is promoting 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 process for ultra-high voltage which was published by the Electricity Authority. In Q4 2022, the Company began the construction of the project.

After the Reporting Date, the Company signed a term sheet with a leading financial institution for the receipt of financing in the amount of up to NIS 255 million, for the construction of the project.

As of the Reporting Date, the Company has recognized assets in the amount of NIS 135 million in respect of this project, which were recorded under the item for systems under construction and initiation.

**2. The winning projects in competitive process 2 for the construction of photovoltaic facilities with integrated storage capacity (approximately 180MWp and 320MWh): Projects in the Storage Segment:**

The Company is approaching the commencement of construction of high voltage facilities with a capacity of 180-200 MWp (80MW AC, including storage with a capacity of around 320MWh), after the Company won, in December 2020, a guaranteed tariff in respect of this capacity as part of the second competitive process which was published by the Electricity Authority for the construction of systems for the production of electricity using photovoltaic technology including storage capabilities.

The determined tariff is 17.45 agorot per KWh, CPI-linked (the linked tariff as of the Reporting Date is 18.8 agorot), until December 29, 2045, depending on the completion of the construction of the facilities by virtue of this quota, by January 30, 2024.

During the Reporting Period and as of the Approval Date of the Report, as part of its preparations for the construction of the facilities, the Company engaged in agreements to purchase the main equipment required for the projects, including an agreement with a subsidiary of Tadiran Group Ltd. to acquire energy storage systems in the amount of up to USD 85 million, and vis-à-vis executing contractors.

As of the Reporting Date, the Company has recognized assets in the amount of NIS 80 million in respect of this project, which were recorded under the item for systems under construction and initiation.

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**(D) Additional details regarding projects in advanced stages of initiation in the Photovoltaic Segment in Israel**

The Company won a tariff tender for the construction of a photovoltaic facility with a capacity of approximately 30MWp, including storage capabilities with a capacity of 48 MWh, vis-à-vis a government entity. The determined tariff was 19.18 agorot per produced 1KWh, CPI-linked, for a period of 24 years. Under the terms of the tender, the Company undertook to sell to the government entity electricity at the minimum capacity which it undertook, in accordance with the tender terms. The project has a zoning plan in effect, and the Company intends to complete the process of obtaining all of the approvals which are required for the purpose of building the project.

**(2) Projects in the Photovoltaic Segment in the United States**

The Company operates in the United States independently (100%) and through a joint venture which it formed jointly with a local entrepreneur (the “US Venture”). For additional details regarding the parties’ understandings regarding the activities of the Joint Venture, see Note 15a(3).

**(A) General**

- 1) The Company’s activity in the Photovoltaic Segment in the United States 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 production system’s capacity, towards the local electric company.

Photovoltaic projects in the United States may also be entitled to a federal tax benefit (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 Reporting Period within the framework of the Inflation Reduction Act of 2022, as specified below. For details, see also Note 29c. For additional details regarding the agreement with the Tax Partner, see Note 3p(5).

**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.

**Financing** - Several alternatives to project finance exist in the United States. As of the Reporting Date, the Company’s project finance in the United States is implemented through engagements with tax partners. Additionally, as of the Approval Date of the Report, the Company is in advanced negotiations towards the receipt of back leverage financing for projects which it owns. For details, see Note 14 below.

**Construction and operation** - The planning and construction of projects 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.

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During the Reporting Period and until the Approval Date of the Report, the operation of commercially active projects was done through operating contractors with which the Company engages in the United States, or through the independent operational infrastructure which the Company built in the United States.

**2) 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 approximately 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%, and 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 requirements specified in the law.

**(B) Additional details regarding projects in the commercial operation stage (total capacity of approximately 224MWp) -**

- 1) **Virginia Projects 1 with a capacity of approximately 82MWp** - The first series of projects which the Company built in Virginia, USA, which has been commercially active since August 2020.

Presented below are additional details regarding agreements to guarantee electricity prices and the engagement with a tax partner in connection with the following projects:

**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 approximately 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 approximately 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.

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2) **Virginia Projects 2, with a capacity of approximately 142MWp** - During the Reporting Period the construction of the 6 photovoltaic facilities, with a capacity of 142MWp, was completed, and they were connected to the power grid. Presented below is additional information regarding agreements to guarantee electricity prices and the engagement 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 approximately 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 approximately 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 details regarding the agreement with the Tax Partner, see Note 14.

**(C) Additional details regarding projects under construction and in pre-construction (total capacity of approximately 416MWp) –**

**1) Acquisition of project with a capacity of approximately 104MWp in Pennsylvania -**

In the first quarter of 2022, the Company engaged in a transaction to acquire the project, which was closed in April 2022, against the payment of a total sum of approximately USD 3.6 million (of which half was paid upon the transfer of ownership, and the other half will be paid upon the commencement of construction). The project has a power purchase agreement with the City of Philadelphia for a period of 20 years, which was amended on the closing date of the acquisition, in a manner which significantly improves the expected revenue from the project. The project is also entitled to revenues from the sale of RECs which will be issued in respect of the production of electricity. The project is currently under construction, which began in the fourth quarter of 2022.

**2) Guaranteeing electricity prices (power purchase agreements (hedge transactions):**

During the Reporting Period 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 of the remaining five projects under construction and in pre-construction 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.

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3) **Engagement with tax partner** - As of the Approval Date of the Report, the Company is in advanced negotiations with Morgan Stanley for the purpose of engaging as a tax partner in respect of all of the 6 aforementioned projects, which, depending on the signing of binding agreement, and the fulfillment of milestones for this purpose, is expected to provide a total of up to USD 320 million in respect of the construction costs of the foregoing projects, against the receipt of rights according to the standard practice, and in accordance with previous outlines in which the Company engaged for this purpose.

**(D) Back leverage financing transaction in the amount of up to USD 315 million** - For details regarding a back leverage financing transaction instead of equity in respect of Virginia Projects 1, Virginia Projects 2, and projects under construction in Virginia and in Pennsylvania, see Note 14d(2).

As of the Reporting Date, the Company has recognized assets in the amount of NIS 353 million in respect of projects under construction and/or in pre-construction, and has engaged in agreements to purchase the panels for them.

**(E) Additional details regarding projects in advanced stages of initiation (total capacity of approximately 455MWp) -**

- 1) The Company has a series of projects with a total capacity of approximately 455MWp in advanced stages of initiation, including approximately 91MWp under the US Venture, and approximately 364MWp which are wholly owned by the Company (including through the purchase of projects by the Company from third parties)
- 2) **Acquisition of additional project with a capacity of 65MWp in Virginia** - After the Reporting Date, 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 a total consideration of approximately USD 1.6 million, which was paid on the date when the acquisition of the project was completed. The balance of consideration, in the amount of USD 5.9 million, will be paid depending on the selling company's fulfillment of milestones for payment. The project has received most of the required permits and approvals for construction.
- 3) **Framework agreements for the sale of electricity** - As part of the process of promoting the development of projects in advanced stages of initiation, the Company signed agreements for the sale of electricity and green certificates which will be issued in respect of the production of electricity (on an "as generated" basis) with one of the energy companies in Virginia, in respect of four projects with an aggregate capacity of approximately 100MWp, for 20 years, and also signed an agreement for the sale of electricity in respect of a project of around 25MWp, for a period of 15 years.

For additional details regarding initiated projects in the United States and project purchase agreements, see Note 15.

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For additional details regarding the Company's activity in the United States, 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(c).

**(G) NCRE transaction for the acquisition of a series of initiated projects in the photovoltaic and energy storage segment with a capacity of 1.8 GWp and 1,680MWh**

- For details regarding the NCRE transaction from August 2021, in which the Company acquired a series of initiated projects in the United States, which, in accordance with accounting principles, is accounted for in the financial statements as a business combination, and for details regarding the accounting treatment thereof, see Note 15a(2)(b) (for details regarding the accounting policy, see Note 3).

**(3) Projects in the Photovoltaic Segment in Poland**

The sale of electricity from projects in the Photovoltaic 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 arrangement. For details regarding tariff tenders, see Note 9b(4).

**(A) Additional information regarding projects under construction and/or in pre-construction:**

During the Reporting Period, the Company began the construction works of the first project in the Photovoltaic Segment in Poland, with a capacity of 12MWp, which, as of the Approval Date of the Report, is approaching the completion of construction works, before commercial operation. 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.

As of the Reporting Date, the Company recognized an asset under construction in the amount of NIS 23 million in respect of this project.

**(B) Additional information regarding projects in advanced stages of initiation:**

For details regarding temporary legislation in Poland for the determination of a price cap on the physical sale of electricity to the power grid, which has been produced from renewable energy, see Note 9b(4)(b). below.

For additional details regarding the series of initiated projects in the Photovoltaic Segment in Poland, see Note 15(3).

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**(4) Projects in the Wind Energy Segment in Poland**
**(A) General**

The Company's activity in the Wind Segment in Poland is based on various arrangements, depending on the dates of development and construction of the projects:

The Company has 2 wind farms with a capacity of approximately 119MW, which are subject to the provisions of the arrangement which was in effect in Poland until the end of June 2016 (the "**Previous Arrangement**"). In accordance with the terms of the previous arrangement, 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 commercially active. The Company also has 3 wind farms with a capacity of approximately 182MW which were built by virtue of a tariff tender-based arrangement which was published by the Polish Electricity Authority, after it won a tender for guaranteed tariff for electricity production. 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 additional details, 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 details 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 which the Company has built 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.

**(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 which, as of the Approval Date of the Report, is in the amount of: (i) PLN 345 per 1MWh of electricity produced from wind energy; (ii) PLN 405 per 1MWh of electricity produced from photovoltaic 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 will be transferred to a dedicated fund which will be used by the government of Poland to reduce electricity prices for end

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consumers. In light of the foregoing, the Company recorded a decrease in revenue during the Reporting Period in the total amount of approximately NIS 8 million, in respect of the sale of electricity in December 2022.

It is clarified that the above legislation does not apply to the sale of electricity within the framework of financial transactions which do not involve the actual production of electricity, or to the sale of green certificates.

**(C) The Company's power purchase agreements and updates thereto during the Reporting Period, engagement in fixed price transactions**

- (1) 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 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 arrangement 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 approximately NIS 23 million. The amount of compensation was recorded under the item for other income during the Reporting Period.
- (4) In February 2022, the Company engaged in an additional amendment to the power purchase agreements, in which:
  - (i) The parties engaged in a financial transaction regarding the unwinding of fixed price transactions which were signed between the parties, and which pertain to the months February 2023 to December 2023, against the payment of compensation to the Company in the amount of approximately NIS 150 million.

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- (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.
- (5) Presented below are fixed price transactions out of the total production capacity for the years 2023-2024, which are in effect as of the Approval Date of the Report:

<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 commercially active as of the Approval Date of the Report.

(\*\*) Average price in PLN per 1MWh, before adjustments according to the actual production profile.

For details regarding fixed price transactions in respect of the years 2025-2034, see Section (5) below.

- (6) Presented below are fixed price transactions out of the total production capacity for the years 2025-2034, which are in effect as of the Reporting 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 10 years, in respect of the years 2025-2034. During the Reporting Period, the broker exercised an option which was given to it, whereby, once exercised, the scope of the fixed price transactions amounted to a rate of approximately 90% of the total expected annual electricity production in Banie 1 + 2 (the "**Long Term Fixed Price Transactions**").
- (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 production in 5 of the Company's wind farms in Poland.
- (7) 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>
2021	71%	144
2022	80%	143
2023	97%	162
2024	7%	243

(\*) Expected amount of green certificates which will be issued in the Company's 2 commercially active wind farms as of the Reporting Date.

(\*\*) Average price per certificate in PLN.

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**(D) Additional details regarding projects in the commercial operation stage in the Wind Energy Segment in Poland**

The Company holds five commercially active wind farms in Poland, with a total capacity of 301MW (the projects Banie 1+2, Hawa, Sepopol, Banie 3 and Banie 4).

**(1) Wind farms Banie 1+2 106MW) and wind farm Hawa (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) Wind farm Banie 3 (82MW) and wind farm Sepopol (44MW)**

During the Reporting Period, the Company completed the construction works of these wind farms, and accordingly, all 57 wind turbines in these projects have begun producing electricity, which is being fed into the Polish power grid. Following the run-in and testing period, in the third quarter, permanent electricity production licenses were received in respect of the two wind farms. The two wind farms won a guaranteed tariff wind tender. By virtue of the tender conditions, each of the winning wind farms, during its commercial operation, will be entitled to a guaranteed tariff (CPI-linked), for 15 years, in respect of electricity output at an average rate of approximately 65% of the expected production of electricity in each of the wind farms, beginning no later than 5 years after the commercial operation date of the wind farms. 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 commercially active projects.

For details 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):**

During the Reporting Period the Company, through a special purpose entity in Poland which holds the wind farm, the construction of all 16 turbines in the wind farm, and accordingly they begun producing electricity, which is being fed into the Polish power grid. During the Reporting Period, the wind farm produced electricity within the framework of the run-in and testing period, and is in advanced processes towards the receipt of a permanent electricity production license. The wind farm won a guaranteed tariff wind tender. Within the framework of the tender conditions, the wind farm, during its commercial operation, will be entitled to a guaranteed, CPI-linked tariff, for 15 years, in respect of electricity output at an average rate of approximately 80% of the expected electricity production in the wind farm, which will begin no later than 5 years after the wind farm's date of commercial operation. 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 commercially active projects.

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For details regarding the Company's engagement in a financing transaction in the amount of up to PLN 300 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 stages of initiation**

**Wind farm construction project with a capacity of approximately 90MW:**  
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 approximately 90MW. As of the Approval Date of the Report, 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.

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**(5) Projects in the Wind Energy Segment in Israel**

**General:**

As of the Approval Date of the Report, the construction of wind farms in Israel is done in accordance with a feed in tariff arrangement 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. The arrangement is in effect in respect of wind farms which reached financial closing by December 31, 2022, including a possible extension until June 30, 2024 (subject to a binding decision). 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 approximately 104MW**

- (A) The Company has a project for the construction of a wind farm (the Company's share - 100% of the management interests and 80.5% of the economic interests in the project), in the Golan Heights, with a capacity of approximately 104MW (hereinafter: the "**Project Company**" and the "**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.
- (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 in the amount of 29.116 agorot per 1KWh, over 20 years, CPI-linked (base index of June 2022).
- (C) As part of the Company's preparations for the construction works in the project, the Company engaged in agreements to purchase the main equipment for the project, and with executing contractors.
- (D) 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. The Company, based on its rights to the land which is designated for the construction of the project, rejects the plaintiffs' assertions. A motion for an injunction which was filed during the

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Reporting Period by the plaintiffs was dismissed. As of the Approval Date of the Report, the Court decided to remove most of the plaintiffs from the statement of claim, except for several associations. According to the assessment of the Company's legal advisors, the claim will be dismissed.

(E) According to the creditors' arrangement 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 Reporting Date, the Company has a provision in the amount of approximately NIS 11 million in respect of the above liabilities.

(F) During the Reporting Period, 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.

As of the Reporting Date, the balance of the investment in the project amounts to a total of approximately NIS 356 million, which is presented under the item for systems under construction and initiation.

For details 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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**Note 10 - Leases (The Group as Lessee)**
**1) General**

The Group customarily leases lands and building rooftops for the installation and operation of photovoltaic 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 United States</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	207,173	125,204	99,603	431,980
<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	26,674	8,952	5,367	40,993
<b>Depreciated cost as of December 31, 2022</b>	<b>180,499</b>	<b>116,252</b>	<b>94,236</b>	<b>390,987</b>
	<b>Land in Israel, including rooftops</b>	<b>Land in Poland</b>	<b>Land in the United States</b>	<b>Total</b>
	<b>NIS in thousands</b>			
<b>Cost</b>				
As of January 1, 2021	135,874	55,492	39,371	230,737
Linkage differences	(1,238)	1,691	-	453
Effect of exchange rate changes (*)	-	(7,605)	(1,557)	(9,162)
Additions	47,685	38,712	9,047	95,444
As of December 31, 2021	182,321	88,290	46,861	317,472
<b>Accumulated depreciation</b>				
As of January 1, 2021	10,619	4,455	674	15,748
Depreciation expenses	7,188	2,142	1,222	10,552
As of December 31 10	17,807	6,597	1,896	26,300
<b>Depreciated cost as of December 31, 2021</b>	<b>164,514</b>	<b>81,693</b>	<b>44,965</b>	<b>291,172</b>

(\*) The exchange rate change were carried to the reserve for translation differences  
For details regarding lease liabilities, see Note 31b(2) and 31c, Financial Instruments.

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**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
				2022	2021	2022	2021	
<b>For the year ended December 31</b>								
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. (Hawa 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 (5)	USA	Photovoltaic	-	100%	100%	100%	100%	9b(2)
Caden Energix LLC (3) (US Joint Venture)	USA	Photovoltaic	-	58%	58%	100%	100%	9b(2)
Energix Neot Hovav Ltd.	Israel	Photovoltaic	07/2013	100%	100%	100%	100%	9b(1)
Energix Projects 2, Limited Partnership	Israel	Photovoltaic	-	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	Photovoltaic	-	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) The US Joint Venture holds full ownership of Virginia Projects 1, a project with a capacity of 25MWp in Virginia Projects 2, projects under construction with a capacity of 123MWp, and projects in advanced stages of initiation with a capacity of 91MWp.

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**Notes to the Consolidated Financial Statements**

**Note 11 - Investments in Investees**
**A. Subsidiaries (Cont.)**
**(1) Details of consolidated companies (Cont.)**

(B) 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>2022</b>	<b>2021</b>
		<b>NIS in thousands</b>	
Energix Construction, Limited Partnership	2.42%	82,022	-
Clean Wind Energy Ltd.	17%	244,665	63,203
Solaer Energix Renewable Energies Limited Partnership, and consolidated companies (*)	8%/10%	385,251	316,336
Energix Projects 2, Limited Partnership	8%/10%	65,165	67,462
Energix Renewable Energies Holding B.V. (**)	0%	956,107	816,900
Energix US LLC and consolidated companies	0%/3%	1,249,099	1,066,652

(\*) 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.

**(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 the terms and additional information, see Note 14.

**B. Equity-accounted investees**

During the Reporting Period, the Company sold its entire stake in Granot Partnership, which was accounted for using the equity method. For details, see Note 9.

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**Note 12 - Trade Payables**

	<b>As of December 31</b>	
	<b>2022</b>	<b>2021</b>
	<b>NIS in thousands</b>	
Trade payables	17,719	113,252
Expenses payable (*)	56,643	42,003
Notes payable	137	6,009
	<b>74,499</b>	<b>161,264</b>

(\*) As of the Reporting Date, the balance includes a total of approximately NIS 53 million in respect of expenses payable to construction providers in respect of projects under construction and in pre-construction in the United States.

In 2021, the balance included a total of approximately NIS 21 million in respect of expenses payable to construction providers in respect of Virginia Projects 2.

**Note 13 - Payables and Credit Balances**

	<b>As of December 31</b>	
	<b>2022</b>	<b>2021</b>
	<b>NIS in thousands</b>	
Institutions	39,394	16,167
Related companies (*)	4,436	1,726
Payroll and related institutions, including short term benefits to	11,190	5,464
Interest payable in respect of lease liabilities	3,500	2,729
Liabilities in respect of hedging financial instruments	135,835	10,971
Other payables and credit balances (**)	37,659	40,565
	<b>232,014</b>	<b>77,622</b>

(\*) Current balances of owners' debit/credit vis-à-vis the parent company and related companies. For details, see Note 25a.

(\*\*) Mostly includes a provision for the payment of real estate tax in Poland. For details, see Note 30c, interest payable in respect of project finance, payables in respect of the purchase of shares in the Clean Wind Energy Project, and a total of approximately NIS 18 million in respect of undertakings to pay to a partner of the Company in a joint venture in the United States. For additional details, see Note 9b(2).

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**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:**

	<u>Amount of credit facilities</u>		<u>Use of guarantee facility / letters of credit</u>		<u>Use of short term loan facility</u>		<u>Expiration date of credit facility</u>
	<u>As of December 31</u>		<u>As of December 31</u>		<u>As of December 31</u>		
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	
	<u>NIS in thousands</u>						
Credit facility from banking corporations (*)	455,950	278,660	240,000	139,487	-	-	Until December 2023

(\*) Of which, a total of USD 50 million (approximately NIS 176 million) from a banking corporation in the United States.

**B. Presented below is the distribution of balances by repayment dates:**

	<u>As of December 31 2022</u>	<u>December 31 2022</u>			<u>December 31 2021</u>		
	<u>Annual interest rate %</u>	<u>Current maturities and short term credit</u>	<u>Long term loans</u>	<u>Total</u>	<u>Current maturities and short term credit</u>	<u>Long term loans</u>	<u>Total</u>
		<u>NIS in thousands</u>					
Loans from financial institutions and banks in Israel	See section C below	63,746	915,122	978,868	54,138	797,493	851,631
Loan from foreign banks	See section C below	13,267	352,040	365,307	7,475	244,157	251,632
<b>Total credit from banking corporations and other credit providers</b>		<b><u>77,013</u></b>	<b><u>1,267,162</u></b>	<b><u>1,344,175</u></b>	<b><u>61,613</u></b>	<b><u>1,041,650</u></b>	<b><u>1,103,263</u></b>

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**C. Presented below are details regarding the Group's project finance agreements as of December 31, 2022:**

Name of project	Neot Hovav	Projects 1 (*)	First competitive process	Second competitive process	Third and fourth competitive processes
<b>Lender</b>	Consortium of institutional investors	Institutional entity	Institutional entity	Institutional entity	Institutional entity
<b>Amount of loan / credit facility</b>	NIS 370 million (NIS 290 million original facility and NIS 80 million financing expansion)	Total of approximately 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>Date of engagement in the financing agreement</b>	December 2014	September 2013	September 2017	December 2018	December 2020
<b>Date of provision of the financing</b>	February 2015 original facility, September 2017 financing expansion	February - June 2014	In 2018	August 2019 - February 2021	For details, see Section d(2) below.
<b>Balance of the loan as of 31/12/2022<sup>5</sup></b>	NIS 231.1 million	NIS 20.2 million	NIS 213.5 million	NIS 180.5 million	NIS 318.9 million
<b>Balance of the loan as of 31/12/2021<sup>5</sup></b>	NIS 243.4 million	NIS 22.6 million	NIS 214.3 million	NIS 179.7 million	NIS 195.2 million
<b>Amortization 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>End of term of the loan</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:<sup>6</sup></b>					
<b>Reserves in minimum amount<sup>1</sup></b>	6 months debt service (Approximately NIS 20.5 million)	6 months debt service <sup>2</sup> (Approximately NIS 4.5 million)	6 months debt service (Approximately NIS 10.4 million)	6 months debt service (Approximately NIS 7.3 million)	6 months debt service (Approximately NIS 8.5 million)
<b>Minimum annual ADSCR to debt ratio<sup>2</sup></b>	Higher than 1.1 (as of the Reporting Date: 1.25)	Higher than 1.1 (as of the Reporting Date: 1.25)	Higher than 1.1 (as of the Reporting Date: 1.25)	Higher than 1.1 (as of the Reporting 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 reduced, in installments, beginning 3 years after the provision of the Financing, according to	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 Company's interests in the partnerships.	The financing was provided on a non-recourse basis, except for the construction period, during which the Company fully guarantees the financing amount. The financing amount is secured by all of the interests	The financing was provided on a non-recourse basis, except for the construction period, during which the Company fully guarantees the financing amount. The financing amount is secured by all of the interests	The financing was provided on a non-recourse basis, except for the construction period, during which the Company fully guarantees the financing amount. The financing amount is secured

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Name of project	Neot Hovav	Projects 1 (*)	First competitive process	Second competitive process	Third and fourth competitive processes
	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		in the projects which are the subject of the financing transaction, and the assets thereof.	in the projects which are the subject of the financing transaction, and the assets thereof.	by all of the interests in the projects which are the subject of the financing transaction, and the assets thereof.
<b>Carrying amount of the charged asset in the accounts of the Project Company</b>	NIS 206 million	NIS 16.3 million	NIS 254.7 million	NIS 198.6 million	NIS 387.4 million
<b>Type of lien</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.

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Name of project	Banie 3 & Sepopol	Banie 4	Clean wind energy
<b>Lender</b>	Consortium including EBRD and 2 European financial institutions	Consortium including EBRD and a local bank	Consortium of Israeli lenders in an organization led by Israel Discount Bank Ltd.
<b>Amount of loan / credit facility</b>	Up to PLN 550 million (up to NIS 440 million)	Up to PLN 290 million (up to NIS 215 million)	Up to NIS 650 million
<b>Date of engagement in the financing agreement</b>	June 2021	March 2022	June 2022
<b>Date of provision of the financing</b>	Beginning in September 2021	June 2022	November 2022
<b>Balance of the loan as of 31/12/2022<sup>5</sup></b>	366.4 NIS millions	NIS 8 million	NIS 18.1 million
<b>Balance of the loan as of 31/12/2021<sup>5</sup></b>	NIS 258.8 million		-
<b>Amortization schedule</b>	Semi-annual payments	Semi-annual payments	Quarterly payments
<b>End of term of the loan</b>	June 2038	December 2040	March 2043
<b>Annual interest rate</b>	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) (**)	Semi-annual Wibor plus a margin of 1.7%-2.4%. In respect of 70% of the loan amount, the Wibor interest rate will not exceed 2% for a period of 5 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>	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	Quarterly payments depending on the fulfillment of financial covenants and other conditions according to the standard practice for transactions of this kind
<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, can be replaced with 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>	Higher than 1.1	Historical (HDSCR) higher than 1.05	Higher than 1.05
<b>Minimum LLCR to debt ratio<sup>4</sup></b>	Higher than 1.15	Higher than 1.15	Higher than 1.05
<b>Collateral</b>	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 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
<b>Carrying amount of the pledged asset in the accounts of the Project Company as of December 31, 2022</b>	NIS 550.4 million	NIS 261.3 million	Approximately NIS 355.9 million
<b>Type of lien</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 9b.	For information regarding the system, see Note 9b.

(\*) 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 details regarding the accounting treatment of the cap transaction to hedge against interest rate changes, see Note 31d(4).

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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 Reporting Date and as of the Approval Date of the Report, the Group is fulfilling all of the financial covenants.

**D. Additional Details**

- (1) **General:** 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. The financing is given 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 United States), 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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**(2) Engagement in term sheet and advanced negotiations towards the receipt of financing at a scope of up to USD 315 million** - As of the Approval Date of the Report, the Company is in advanced negotiations towards the receipt of back leverage financing from a leading international financial institution in the renewable energy industry (i) at a scope of approximately USD 75 million, which will be used to repay equity which the Company provided for Virginia Projects 1 and Virginia Projects 2, from a leading financial institution operating in the United States, and (ii) at a scope of up to USD 240 million to finance the construction of the projects which are among the series of projects under construction in Virginia, and the series of projects under construction in Pennsylvania, with an aggregate capacity of 416MWp. For additional details regarding the projects for which the financing will be provided, depending on the signing of binding agreements and the fulfillment of binding agreements for this purpose, see Note 9b(c)1 above.

**(3)** For details regarding negotiations towards the receipt of financing as part of an engagement with a tax partner at a scope of up to USD 320 million, see Section G below.

**(4) 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 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 is in NIS and is linked to the consumer price index for a period of 20 years, and 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 financing amount will be provided throughout the construction period, depending on the fulfillment of conditions for the withdrawal, according to the standard practice for transactions of this kind, including the provision of preliminary equity in respect of the project at a rate of at least 15% of the total construction cost during the construction period, and fulfillment of a financial ratio of 1:1.4. As well as the coverage ratios (DSCR and LLCR) for default and distribution - below 1.05 and 1.15, respectively.

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.

During the Reporting Period, the Company performed an initial withdrawal by virtue of the financing facility, in the amount of approximately NIS 18 million.

**(5) Financing transaction for the Julis project with a capacity of approximately 87MW** - After the Reporting Date, the Company signed a term sheet with a leading financial institution for the receipt of financing in the amount of up to NIS 255 million, for the construction of the project.

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**(6) Financing transaction in respect of projects with a capacity of up to 137MWp (third and fourth competitive processes)**

As of the Approval Date of the Report, the Company made withdrawals through the Israel Joint Venture by virtue of the financing facility in the amount of approximately NIS 314 million, in respect of all of the projects under the financing agreement, following the fulfillment of the conditions for withdrawal. It is noted 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 Section C 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 approximately NIS 370 million.

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**(7) Bonds**

Liability certificate	Par value balance NIS in thousands	Linkage base	Stated interest rate %	Repayment terms	Effective interest rate %	Carrying amount as of December 31, 2022	
						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 approximately 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 approximately NIS 244,905 thousand.

As of the Reporting Date, the balance of interest payable in respect of the bonds amounts to approximately NIS 3,675 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 approximately NIS 271,890 thousand, at a fixed annual interest rate of 2.05% (unlinked), vs. cash flow payments of approximately 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 approximately NIS 232,688 thousand, at a fixed annual interest rate of 2.05% (unlinked), vs. cash flow payments of approximately USD 75,000 thousand, at a fixed interest rate of 2.984%. The

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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.

- (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).

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 Reporting Date, the balance of interest payable in respect of the bonds amounts to approximately NIS 560 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:

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- In respect of the 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 initiation**, 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.

As of the Reporting Date the Company has been fulfilling the financial covenants, as specified below:

- Equity - NIS 2,329 million.
- Ratio of solo net financial debt to solo net balance sheet - 30%.
- Ratio of net consolidated financial debt, after deducting systems under construction and initiation, to adjusted EBITDA - 1.2.

It is noted 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, in a cumulative total of NIS 778 million.

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.

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- 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 Approval Date of the Report, 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 Reporting Date, no event has occurred in the Company which would have granted the holders the right to demand the immediate repayment of the bonds.

**F. Other long term liabilities**

	<b>As of December 31</b>	
	<b>2022</b>	<b>2021</b>
	<b>NIS in thousands</b>	
Undertakings in connection with operational	7,035	8,447
Liabilities in respect of derivative financial	188,712	55,049
Undertaking to vacate and restore	62,023	21,269
	<u>257,770</u>	<u>84,765</u>

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**G. Agreement with tax partner to finance the construction of projects in the United States**

	<b>As of December 31</b>			
	<b>2022</b>		<b>2021</b>	
	<b>NIS in thousands</b>			
	<b>Short</b>	<b>Long</b>	<b>Short</b>	<b>Long</b>
Virginia 1	38,375	114,164	50,806	56,014
Virginia 2	41,657	49,575	35,463	130,704
	<b>80,032</b>	<b>163,739</b>	<b>86,269</b>	<b>186,718</b>

- Virginia Projects 1** - In September 2019 the Company entered into an agreement with Morgan Stanley, according to which Morgan Stanley invested a total of approximately 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 benefit (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 according to the standard practice for transactions of this kind, 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 approximately 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 3o(5).
- 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 approximately USD 55 million. The Tax Partner's investments was made against the receipt of rights, according to the standard practice for transactions of this kind, mostly including the federal tax benefit (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 benefit. In the sixth project, the Company is using the tax benefits independently.
- Projects under construction in Virginia and project under construction in Pennsylvania** - As of the Approval Date of the Report, the Company is in negotiations with Morgan Stanley for the purpose of engaging as a tax partner in respect of the above 6 projects, which, depending on the signing of binding agreements and the fulfillment of milestones for this purpose, is expected to provide a total of up to USD 320 million in respect of the construction costs of the foregoing projects, against the receipt of rights according to the standard practice, and in accordance with previous outlines in which the Company engaged for this purpose.

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**Note 15 - Engagements and Additional Information Regarding the Company's Initiation and Development Activities**

In addition that stated in Notes 9, 14 and 25, presented below are details regarding the Company's engagements:

**A. Details regarding initiation and development activities in the Photovoltaic Segment and regarding relevant engagements**

**(1) Project initiation activities in Israel**

**(A) Activities in the Photovoltaic 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 Photovoltaic 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 initiation, construction, operation and maintenance of projects in the Photovoltaic 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 Photovoltaic Segment in Israel is being executed within the framework of the Company's independent activity.

As of the Approval Date of the Report, 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 details 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 (photovoltaic 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.

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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 details 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.

**(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 initiation 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 Energix managed the activities of the joint venture and the engineering partnership, 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 arrangement which was agreed upon by the parties, the entrepreneurial company filed an amended statement of claim in which

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the remedy of liquidating the partnership between the parties was requested. During the Reporting Period, the various claims were consolidated into a single proceeding, which was transferred to mediation proceedings, with the parties' consent. The mediation proceedings were cut short, and as of the Reporting Date, preliminary proceedings regarding the case are underway. 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 Photovoltaic 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 initiation activity which is performed by the Company in the Photovoltaic Segment in Israel is performed by the Company independently.

- (C) As of the Reporting Date, and as of the Approval Date of the Report, the Company is working independently (100%) on expanding the series of projects in initiation and development stages which can be built within the framework of the competitive processes which were published and which are expected for publication by the Electricity Authority.

For details regarding the Group's active systems which are in the commercial operation and construction stages in the Photovoltaic Segment in Israel, see Note 9b. For details regarding financing which was given for the Group's systems which are classified as fixed assets in the Photovoltaic Segment, see Note 14.

**(D) Initiation activities in the Wind Energy Segment in Israel**

In addition to the promotion of the Clean Wind Energy Project with a capacity of approximately 104MW, as specified in Note 9b(5), the Company has also several projects in the preliminary stages of initiation, including additional projects in the Northern Golan Heights. The Company's development of the projects is performed depending on wind quality, regulatory and statutory feasibility, and restrictions of the Ministry of Defense.

**(2) Project initiation activities in the United States**

The Company has activity in the Photovoltaic Segment in the United States which it promotes both independently and through a joint venture which it formed with a local entrepreneur to promote projects in the Photovoltaic Segment in the United States (the "US Venture" and the "Venture Agreement").

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**(A) US Venture:** In December 2017, the Company formed the US Venture together with a local entrepreneur. In accordance with the venture agreement, as amended in March 2019, the US Venture acquired the series of photovoltaic projects which were developed by the entrepreneur, mostly in Virginia, with a total capacity of hundreds of megawatts, including the series Virginia Projects 1, which is commercially active as of the Reporting Date, additional projects which are under construction as part of Virginia Projects 2, with a capacity of 25MW<sub>p</sub>, and additional projects in various stages of initiation. For additional details, see Note 9b(2).

The Company has full control over the management of the venture's activities, subject to protection of the rights of the entrepreneur's minority interests, according to the standard practice for transaction of this kind.

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, calculated on a quarterly basis. 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. The balance of funds will be divided between the parties in accordance with their proportional parts in the venture (the Company's share - 58%). For details regarding the amount of financing which was provided by the Company for the activities of the US Venture, see Note 11.

For additional details regarding the projects in Virginia which are under construction, in pre-construction and in advanced stages of initiation, including the engagement in binding fixed price electricity transactions and transactions regarding the sale of RECs, and the engagement with a tax partner as part of the US Joint Venture Agreement, see Note 9b(2).

**(B) Independent activity to expand the series of initiated projects in the photovoltaic and storage segment in the United States:**

1. As of the Reporting Date and as of the Approval Date of the Report, the Company is working on expanding its series of projects in initiation, including by engaging in agreements to acquire projects (assets, or by way of acquiring interests in special purpose companies). Since 2020, all new initiation activities in the United States are advanced by the Company outside of the US Joint Venture.

As of the Approval Date of the Report, the total scope of the Company's initiated projects in the United States amounted to approximately 6 GW<sub>p</sub> of PV, and over 7GWh of storage.

2. **Acquisition of a photovoltaic project with a capacity of approximately 104MW<sub>p</sub> in Pennsylvania** - For additional details, see Note 9b(2)(c).
3. **Acquisition of additional projects with a capacity of 65MW<sub>p</sub> in Virginia** - For additional details, see Note 9b(2)(d).

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4. **NCRE transaction involving the acquisition of a series of initiated projects in the Photovoltaic and Energy Storage Segment with a capacity of 1.8 GWp and 1,680 MWh:** In August 2021, the Company acquired (through an American wholly owned subsidiary of the Company) all of the ownership rights to the American company NCRE, which is an entrepreneurial company engaged in the solar energy and Energy Storage Segment in the United States (“NCRE”), operating in Virginia and neighboring states, for a total consideration of USD 33 million.

The acquisition of NCRE was executed for the purpose of acquiring the series of projects which were owned by NCRE as of the acquisition date, including initiated projects in the Photovoltaic Segment with a capacity of approximately 1.8 GWp; Initiated energy storage projects with a capacity of approximately 1,680 MWh, as well as additional rights which matured, after the acquisition of NCRE, into initiated projects in the Photovoltaic and Energy Storage Segment, with significant capacities.

Additionally, as of the acquisition date, NCRE had signed agreements for the provision of initiation services for projects under development which were sold to third parties, and which do not correspond to the Company’s core activity (“**Third Party Projects**”).

In December 2021, the Company completed the sale of those projects to third parties to one of the former shareholders of NCRE, in consideration of approximately USD 9 million (approximately NIS 28 million).

In accordance with accounting principles, the NCRE acquisition transaction is accounted for in the Financial Statements as a business combination, see Note 15b(2)(g) (for details regarding the accounting policy, see Note 3). The vast majority of the purchase consideration is attributed to initiated projects, which are presented under the item for systems under construction and initiation.

Series of projects in initiation stages which were acquired as part of the NCRE acquisition transaction

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**Fair value as of the acquisition date of the transferred consideration:**

	<b>USD in thousands</b>	<b>NIS in thousands</b>
Cash	33,000	106,293
Less proceeds in respect of the sale of projects to third parties	(8,900)	(28,667)
Total transferred consideration	24,100	77,626

**Net cash flows in the acquisition:**

	<b>USD in thousands</b>	<b>NIS in thousands</b>
Total purchase consideration	24,100	77,626
Less - cash and cash equivalents which were acquired	(192)	(618)
Total	23,908	77,008

**Amounts which were recognized on the acquisition date in respect of assets and liabilities:**

	<b>USD in thousands</b>	<b>NIS in thousands</b>
Cash and cash equivalents	192	618
Trade receivables	236	760
Receivables and debit balances	602	1,939
Trade payables	(75)	(242)
Payables and credit balances	(200)	(644)
Initiated projects	23,214	74,772
Goodwill	131	423
Total	24,100	77,626

**(C) Panel purchase agreement with First Solar:**

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.

As part of the above, on January 7, 2022, the Company entered into an agreement to purchase panels with a total capacity of over 2GWp, and at a total cost of hundreds of millions of USD. In April 2022, the Company paid an advance in the amount of approximately USD 30 million. The remaining payments will be paid proximate to the provision of the panels, insofar as they reach financial closing, during 2023-2026. 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 photovoltaic projects which are currently in initiation stages, which the Company believes will be built during the years 2023-2026 (mostly in the United States). 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 United States, to meet the required

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criteria for the purpose of eligibility for an additional tax benefit of 10% in accordance with the IRA law.

**(3) Project initiation activities in Poland**

During the Reporting Period and as of the Approval Date of the Report, the Company is working on increasing its series of initiated projects, independently or through the purchasing of projects. As of the Approval Date of the Report, the Company has initiated projects in the wind segment with a total capacity of approximately 450MW, and in the Photovoltaic Segment, with a total capacity of approximately 200MWp.

**(4) Energy storage activity:**

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 initiation 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.

During the Reporting Period, and as of the Approval Date of the Report, the Company had initiated projects in the Storage Segment in Israel, in the United States and in Poland with a total capacity of 7GWh, divided into territories as follows:

	<b>Initiated projects in the Storage Segment</b>
<b>Israel</b>	500 MWh
<b>Poland</b>	50 MWh
<b>USA</b>	6,300 MWh
	6,850 MWh

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**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</u> <u>Ordinary</u> <u>NIS 0.01 par</u> <u>value</u>	<u>Issued and</u> <u>paid-up</u> <u>shares of</u> <u>NIS 0.01 par</u> <u>value</u>
<b>December 31, 2019</b>	<b>December 31, 2019</b>	<b>500,000,000</b>	<b>425,594,130</b>
In January 2020	In January 2020	-	20,860,400
In June 2020	In June 2020	-	15,800,000
In July 2020	In July 2020	500,000,000	-
In 2020	In 2020	-	11,107,973
In 2020	In 2020	-	9,166,247
<b>December 31, 2020</b>	<b>December 31, 2020</b>	<b>1,000,000,000</b>	<b>482,528,750</b>
In 2021	In 2021	-	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	In January 2022	-	12,800,000
In January 2022	In January 2022	-	13,000,000
In August 2022	In August 2022	-	26,000,000
In 2022	In 2022	-	7,808,771
<b>December 31, 2022</b>	<b>December 31, 2022</b>	<b>1,000,000,000</b>	<b>547,808,952</b>

B. Share-based payment

For information regarding share options granted to the CEO, an corporate officer and employees of the Company in 2019-2022, see Note 26. For details regarding options which were provided subsequent to the Reporting Date, see Note 32e.

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**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 in the gross total of approximately NIS 337 million. The Company's issued and paid-up capital increased by around 25.8 million shares in the capital raising.
- (3) In August 2022, the Company completed a private allocation to an institutional investor in the amount of approximately 26 million shares, against an investment of approximately NIS 339 million.

**D. Exercise and expiration of options**

During the Reporting Period, 7,809 non-marketable options were exercised by Company employees. The immediate consideration which was received in respect of the exercise of the foregoing non-marketable options for employees amounted to approximately NIS 29,769 thousand (the exercise addition in respect of the employee options amounted to a total of NIS 4.96 -11.34), and the Company's capital increased by an identical amount. From the Reporting Date until the Approval Date of the Report, additional employee options were exercised in the amount of 1,614 thousand options. The immediate consideration in respect of the exercise of the additional options amounted to approximately NIS 8 million.

**E. Decision to distribute dividend**

On March 8, 2021, after the Reporting Date and shortly after the 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, in 2022 the Company distributed dividends in the total amount of 20 agorot per share (approximately NIS 107 million).

On February 26, 2023, the Board of Directors determined that the dividend for 2023 will amount to a total of 28 agorot per share, to be paid in 4 equal quarterly payments in the amount of 7 agorot 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, in the amount of 18 agorot.

In accordance with the above, the Company announced a dividend distribution for the first quarter of 2023 in the amount of 25 agorot per share (approximately NIS 136.6 million), which will be paid in March 2023.

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**Note 17 - Revenues from the Sale of Electricity and Green Certificates**

	<b>For the year ended December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<b>NIS in thousands</b>		
Sale of electricity from photovoltaic systems (Israel)	164,730	133,543	112,459
Sale of electricity from wind farms in Poland	281,596	67,245	89,374
Sale of green certificates (2)	56,084	60,049	59,970
	<u>502,410</u>	<u>260,837</u>	<u>261,803</u>

1. Revenues from the sale of electricity also include revenues from the provision of capacity commitments.
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 United States (Renewable Energy Credits), and other certificates in Israel and in Poland. For additional details, see Note 9.

**Note 18 - Other Revenues, Net**

	<b>For the year ended December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<b>NIS in thousands</b>		
Revenues due to compensation (*)	23,027	-	-
Profit from the sale of green certificates, beyond	-	5,569	542
O&M revenues in respect of small and medium	194	220	519
Miscellaneous revenues (***)	1,694	-	205
	<u>24,915</u>	<u>5,789</u>	<u>1,266</u>

- (\*) Compensation due to the unwinding of fixed price financial transactions. For additional details, 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.
- (\*\*\*) Various revenues, mostly include the Company's revenues from the sale of electricity as a virtual provider.

**Note 19 - Systems Maintenance and Other Expenses**

	<b>For the year ended December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<b>NIS in thousands</b>		
Maintenance and communication expenses	38,376	31,532	30,659
System insurance	2,894	1,863	1,627
Operation wages	9,212	4,745	3,387
Other	4,206	833	1,308
	<u>54,688</u>	<u>38,973</u>	<u>36,981</u>

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**Note 20 - Payroll and Related Expenses**

	<b>For the year ended December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<b>NIS in thousands</b>		
Payroll and related expenses (*)	24,772	14,949	11,854
Vehicle maintenance	2,316	550	374
Share-based payment (**)	7,281	5,018	2,806
	<u>34,369</u>	<u>20,517</u>	<u>15,034</u>

(\*) For details regarding the terms of employment of the CEO of the Company, see Note 25c.

(\*\*) For additional information, see Note 26.

**Note 21 - Initiation Expenses**

Including costs in respect of projects which have not met the conditions for discounting. For details regarding the capitalization policy, see Note 3o.

**Note 22 - Administrative, Headquarters and Other Expenses**

	<b>For the year ended December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<b>NIS in thousands</b>		
Management fees to the parent company (*)	7,773	5,765	5,075
Professional fees	11,562	7,331	5,501
Office and other (**)	11,561	6,921	4,056
	<u>30,896</u>	<u>20,017</u>	<u>14,632</u>

(\*) For information regarding a management agreement with the parent company, see Note 25a(1).

(\*\*) For details regarding the engagement in an office rental transaction with Amot, see Note 25b(3).

**Note 23 - Financing Income**

	<b>For the year ended December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<b>NIS in thousands</b>		
Exchange differences, net	-	-	2,400
Linkage differences, net	-	-	2,921
Interest on loans granted	1,162	861	585
Interest on bank deposits, deposits and marketable securities	7,684	1,489	763
	<u>8,846</u>	<u>2,350</u>	<u>6,669</u>

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**Note 24 - Financing Expenses**

	<b>For the year ended December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<b>NIS in thousands</b>		
Fees	2,842	1,589	1,315
Interest on loans	14,922	6,977	13,408
Exchange and linkage differences, net	28,561	17,189	-
Loss on the fair value revaluation of derivatives	7,772	2,238	58
Interest expenses in respect of bonds	24,229	19,129	12,032
Tax partner financing expenses	4,566	1,710	1,665
Other financing expenses	8,312	1,123	1,763
	<b>91,205</b>	<b>49,955</b>	<b>30,241</b>

During the Reporting Period, borrowing costs were capitalized in the amount of approximately NIS 46,775 thousand for systems under construction, of which a total of approximately NIS 35,366 thousand was in respect of non-specific credit (in the years 2021 and 2020, credit costs were discounted in the amount of NIS 23,714 thousand and NIS 16,293 thousand, respectively). The discount rate for non-specific credit in 2022 was 4.8%. 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 June 2020, 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, 2020 to June 30, 2023).

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.

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Along with the 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, 2020, the fees will be as follows:

- (1) A fixed quarterly amount of NIS 1,200 thousand per year, CPI-linked;
- (2) A variable quarterly amount at a rate of 0.045% of the original cost in the Company's books of its electricity production facilities which will be connected to the power grid, and which will commence commercial activity beginning on July 1, 2020, which will be added to the fixed quarterly amount,

The maximum variable amount will amount to NIS 3.2 million per year (CPI-linked), and accordingly, the maximum limit of annual management fees will be no more than NIS 8 million per year, CPI-linked; The base index used in the calculation of these amounts will be the index for March 2020. For additional details 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.

**(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 Reporting Date, there are no forward transactions in effect.

**B. Other transactions with the controlling shareholder or in which the controlling shareholder has a personal interest**

**(1) Electricity sale agreement with Amot (insignificant 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

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insignificant. Under the transaction, the Company has been selling electricity to a property of Amot since September 1, 2021, over a period of 5 years, in accordance with the terms of the Company's private provider license, by virtual means. In accordance with the commercial understandings between the parties, Amot is 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.

**(2) 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.

During the years 2022 and 2021, the Company paid to Amot, within the framework of the lease agreement for the foregoing rooftops, a total of NIS 768 thousand and NIS 788 thousand, respectively.

**(3) Agreements for the rental of 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 Reporting 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.

The cost of renting the Company's offices and parking spaces from Amot in the years 2022 and 2021 amounted to approximately 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

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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) Partial provision of services by the Company's information systems administrator (insignificant transaction)**

On August 12, 2020, the Company's Board of Directors approved, after receiving approval from the Audit Committee, the Company's engagement with Alony Hetz in an agreement regarding the partial provision of services by the Company's information systems administrator, in a 15% position. The aforementioned engagement was approved by the Company's Audit Committee as a "non-extraordinary transaction", as defined in the Companies Law - 1999.

**(7) Engagement with Carr Properties for the lease of offices in the United States**

On August 18, 2019, the Company's Board of Directors approved, after approval was received from the Audit Committee, the Company's engagement in an office lease agreement with Carr Properties, a company jointly controlled by Alony Hetz, for the purpose of the Company's activity in the United States. The engagement applies to an area of approximately 2,477 square feet, for a period of 3 years and 3 months, beginning on September 1, 2019, in the amount of approximately USD 120 thousand per year, with the rent increasing each year by 2.75%, and the first three months of the rent being rent-free. The aforementioned engagement was approved by the Company's Audit Committee as a "non-extraordinary transaction", as defined in the Companies Law - 1999. The lease agreement concluded in December 2022, upon the Company's transition to new offices.

**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.

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- (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 all of 2022 amounted to a total of approximately NIS 1,607 thousand.

Presented below are details regarding the bonuses which were given to the Company's CEO in respect of 2022, as approved by the Company's Compensation Committee and Board of Directors in March 2022:

- (i) Information regarding the annual bonus for 2022, 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:

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<b>Type of compensation</b>	<b>Bonus cap as per compensation plan and based on the employment agreement of the Company's CEO</b>	<b>Bonus cap for 2022 as per the resolutions of the Company's Compensation Committee and Board of Directors</b>	<b>Actual eligibility</b>	<b>Value in NIS</b>	<b>Actual grant</b>
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)	5.28 months of salary cost	For the measurable component: Approximately NIS 792 thousand	The total bonus, in the amount of NIS 792 thousand, was converted to approximately 266 thousand options, which vested immediately.
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) As part of the equity compensation for 2022, which was granted to the Company's CEO in accordance with his employment agreement which was in effect as of March 2022, 122 thousand options were allocated to the Company's CEO in April 2022, at a value of NIS 408 thousand, in accordance with the Company's options plan.

(iii) For details regarding the long term equity compensation in accordance with the 2022 compensation package, see Section C(3) above.

For additional details 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 arrangement for directors and corporate officers in the Company is part of an umbrella arrangement for the entire Alony Hetz Group. The arrangement is for a period of 6 years commencing on July 1, 2018 and ending at the end of June 2024. This arrangement 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 arrangements 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

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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 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 arrangement, 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 process 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 the aforesaid arrangement, Alony Hetz purchases insurance policies from time to time, and as part of the above, it purchased a policy for the period from July 15,

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2020 to July 14, 2021, and another policy for the period from July 15, 2021 to July 14, 2022, both with a liability limit of USD 75 million, per case and per period, with additional coverage for legal expenses in accordance with Section 66 of the Insurance Contract Law - 1981, against the payment of premiums in the amount of approximately USD 294 thousand and USD 414 thousand, respectively, for the entire group. 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. The Company's share in the purchase cost of the two policies amounted to a total of approximately USD 116 thousand (the amount was divided equally between the Group's member companies).

**(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, 2021, in the Reporting Period the Company has a E rating. Accordingly, during the Reporting Period, the fixed annual compensation was approximately NIS 95 thousand and the fixed compensation for participation in a meeting is approximately 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 approximately 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 February 26, 2023, the Company's Board of Directors resolved to grant to Linda Ben Shushan, Alona Shefer Caro, Orna Hozman-Bechor and Meir Shani, approximately 67 thousand ordinary Company shares (around 16.8 thousand options each), worth a total of approximately NIS 190 thousand, in accordance with the Company's options plan from March 2014.

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**Notes to the Consolidated Financial Statements**
**(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 Reporting Period, is a company in which a 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 approximately 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 Reporting 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 Sharbit, 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.

**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)**

	<b>Number of recipients</b>			<b>For the year ended December</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
				<b>NIS in thousands</b>		
Directors' fees	4	4	3	720	531	355
Short term employee	5	5	5	4,847	4,249	3,923
Post-employment	5	5	5	939	805	745
Share-based payment	5	5	5	4,658	2,341	2,462
				<u>11,164</u>	<u>7,926</u>	<u>7,485</u>

The total sum paid by the Company for internal audit services in 2022 amounted to NIS 72 thousand, in respect of internal audit services which were provided to the Company during the year (in the years 2021 and 2020, the Company's expenses for internal audit services amounted to a total of NIS 48 thousand and NIS 75 thousand, respectively).

During the Reporting Period, no benefits were paid to key management personnel that are not employed in the Group other than directors' compensation, as described above.

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**F. Additional information regarding balances and transactions with related parties**
**(1) Balances with related parties**

	<b>As of December 31</b>	
	<b>2022</b>	<b>2021</b>
	<b>NIS in thousands</b>	
<b>Current assets</b>		
Receivables and debit balances - Granot Partnership	-	1,107
<b>Liabilities</b>		
Trade payables and other payables and credit balances (Amot Investments)	61	52
Trade payables and other payables and credit balances - other related companies	91	156
Trade payables and other payables and credit balances (Alony Hetz)	4,211	1,534
Accrued expenses - directors' compensation	192	189
Lease liability (Amot Investments)	14,594	16,152
Lease liability (Carr Properties)	-	917

**(2) Transactions with related parties**

	<b>For the year ended December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<b>NIS in thousands</b>		
Interest and depreciation expenses in respect of lease liabilities from a related party (*)	1,247	1,601	2,368
Expenses in respect of management fees to the parent company	7,716	5,765	5,075
Expenses for directors' compensation	720	531	355
Revenues from operation services to a limited partnership	-	226	140

(\*) For details, see subsection b(2) of this note.

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**Note 26 - Share-Based Payment**

**A. Presented below are the plans for the compensation of corporate officers and employees in effect as of December 31, 2022**

	<b>Number of recipients</b>	<b>Number of granted options</b>	<b>Of which to the CEO</b>	<b>Of which to corporate officers</b>	<b>Economic value on grant date, NIS in thousands</b>	<b>Balance of options as of the Reporting Date</b>	<b>Exercise addition per option in NIS (*)</b>	<b>Expiration date</b>
2019 (**)	1	4,593,150	4,593,150	-	3,375	4,593,150	10.73	19/06/2024- 19/06/2026
2020	53	3,536,000	950,000	1,261,000	5,394	2,199,000	10.34	25/02/2023- 30/06/2023
2021	70	2,680,937	551,843	904,927	4,032	2,398,954	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	7,933,334	17.68	09/04/2027- 09/07/2029
2022	94	2,398,481	376,280	582,023	5,682	2,079,226	11.578- 15.138	29/12/2024

(\*) 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 additional details, 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 details 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>2018</b> <sup>(3)</sup>	<b>2019</b> <sup>(3)</sup>	<b>2019</b> <sup>(4)</sup>	<b>2020</b> <sup>(3)</sup>	<b>2021</b> <sup>(3)</sup>	<b>2022</b> <sup>(3)</sup>	<b>2022</b> <sup>(4)</sup>
Share price (in NIS)	3.34	5.73	6.51	10.7-14.5	11.26-11.26	10.72-14.1	10.72
Exercise price (in NIS)	3.60	6.19	11.07	11.85-15.66	12.25-12.249	11.578-17.68	17.68
Weighted expected volatility (1)	22.83%	22.91%	27.10%	25.5%-31.8%	35.2%-35.2%	32.37%-41.19%	32.37%
Average life of the options (in years) (2)	2.83-3.08	2.83-3.08	4-6	2.83-3.08	2.83-3.08	2.83-6	6.00
Risk-free interest rate	0.44%-0.48%	0.71%-0.77%	1.12%	0.12%-0.33%	0.25%-0.27%	0.29%-3.236%	0.03
Expected dividend rate (6)	-	-	-	-	-	-	-
Total benefit (NIS in thousands)	2,537	4,578	3,375	5,394	4,032	24,307	18,000
Amortized amount (NIS in thousands) (5)							
2022	-	-	687	342	1,318	3,841	1,838
2021	-	267	687	1,344	3,381	-	-
2020	172	954	689	1,754	-	-	-
2019	610	645	392	1,500	-	-	-
In 2018	510	1,150	-	-	-	-	-

- (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 additional details, 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:

	2022		2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance as of January 1	8,889,835	9.92	8,987,000	8.07
Granted during the year	10,331,815	17.20	2,680,937	12.11
Forfeited during the year	(415,687)	14.39	(598,131)	10.11
Exercised during the year	<u>(4,195,449)</u>	6.54	<u>(2,179,971)</u>	4.93
Balance as of December 31	<u>14,610,514</u>	15.83	<u>8,889,835</u>	9.92
Options exercisable as of December 31	<u>11,621,994</u>	6.61	<u>8,465,994</u>	4.74
Anticipated consideration from the exercise of the outstanding options as of December 31 (NIS in thousands)	<u>231,293</u>		<u>88,178</u>	

(\*) The share price proximate to the publication date of the report is NIS 14.10.

The table presented above does not include the granting of approximately 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		
	2022	2021	2020
	NIS in thousands		
<b>Profit attributable to the holders of ordinary shares</b>			
Profit for the year used in the calculation of basic and diluted loss per share	<u>236,690</u>	<u>79,319</u>	<u>77,209</u>
<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	488,200,181	482,528,750	425,594,130
Effect of shares issued in the period (*)	<u>41,275,772</u>	<u>3,925,620</u>	<u>37,200,221</u>
Weighted average for the year ended December 31	<u>529,475,953</u>	<u>486,454,370</u>	<u>462,794,351</u>
Dilutive effect of options which were issued during the year	<u>1,830,140</u>	<u>7,273,965</u>	<u>15,031,638</u>
Diluted weighted average for the year ended December 31	<u>564,145,257</u>	<u>493,728,335</u>	<u>477,825,989</u>

(\*) 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>2022</b>	<b>2021</b>	<b>2020</b>
	<b>NIS in thousands</b>		
Profit used to calculate basic earnings per share	236,690	79,319	77,209
Bonds convertible into ordinary shares	8,811	-	-
<b>Profit used to calculate diluted earnings per share</b>	<b>245,501</b>	<b>79,319</b>	<b>77,208</b>

**Energix - Renewable Energies Ltd.**  
**Notes to the Consolidated Financial Statements**

**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 systems for the production of electricity using photovoltaic technology in Israel whose date of initial operation was from January 1, 2009 to December 31, 2015, the Income Tax Regulations (Depreciation) - 1941 prescribes a depreciation rate of 25%. In respect of photovoltaic 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 photovoltaic 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, 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**

<u>Country</u>	<u>Corporate tax rate</u>	<u>Remarks</u>
<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>	15%-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 Reporting Period are calculated according to the tax rates presented in the above table.

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**Energix - Renewable Energies Ltd.**  
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**C. Tax benefits in the Group's field of activity in the United States**

By virtue of the provisions of American law, the Group is entitled to a tax benefit in respect of photovoltaic projects which it builds and operates in the United States, 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 benefit, such that it will remain in effect until 2032, instead of 2026;
- (2) Increasing the rate of the ITC tax benefit 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 benefit, including the possibility to sell the right to the tax benefit, 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 United States;
- (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.

The Company adjusted the series of panel purchase agreements which it signed with First Solar, in order to ensure that they meet the local production requirement. Accordingly, the Company believes that it will be entitled to an additional tax benefit at a rate of at least 10% of the construction cost in respect of projects whose construction begins during the years 2023-2026.

Additionally, regarding the depreciation rate for tax purposes in respect of systems for the production of electricity using photovoltaic technology in the United States, 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 details regarding agreements between the Company and the Tax Partner for projects in the United States, see Note 14g.

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**D. Income tax expense (income) components**

	For the year ended December		
	2022	2021	2020
	NIS in thousands		
<b>Current tax expenses</b>			
For the current year	12,340	28,792	13,201
Prior year adjustments, net	(247)	-	-
	<u>12,093</u>	<u>28,792</u>	<u>13,201</u>
<b>Deferred tax expense (income)</b>			
Creation and reversal of temporary differences	67,090	9,088	6,877
Reversal of amortization of deferred tax assets	(21,417)	(14,693)	5,137
	<u>45,673</u>	<u>(5,604)</u>	<u>12,014</u>
Total tax on income expenses	<u>57,766</u>	<u>23,188</u>	<u>25,215</u>

**E. Deferred taxes**

Balances of deferred taxes as of December 31, 2022 and 2021 were calculated according to the tax rate which is expected to apply on the date of the reversal.

Presented below are the composition and movement of the deferred taxes in the years ended December 31, 2022 and 2021:

2022	As of December 31, 2021	Amount carried to profit or loss	Amount carried directly to equity	As of December 31, 2022
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 United States (*)	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	<u>(63,058)</u>	<u>(45,672)</u>	<u>74,449</u>	<u>(34,281)</u>
<b>Deferred tax liability in the statement of financial position as of December 31, 2022</b>				<u>(91,258)</u>
<b>Deferred tax asset in the statement of financial position as of December 31, 2022</b>				<u>56,935</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.

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<b>2021</b>	<b>As of December 31, 2020</b>	<b>Amount carried to profit or loss</b>	<b>Amount carried directly to equity</b>	<b>As of December 31, 2021</b>
Carryforward tax losses	46,227	14,900	(11,065)	50,062
Initial adoption of IFRS 16	316	-	-	316
Electricity production systems	(102,481)	(28,730)	-	(131,210)
Financial instruments	(11,097)	(1,190)	(8,329)	(20,616)
Employee benefits	347	24	-	371
Deferred revenues	(5,279)	-	-	(5,279)
Projects in the United States (*)	9,698	20,059	-	29,757
Investment in investee	(29,718)	(9,705)	-	(39,423)
Other	4,715	(496)	(3,659)	559
Unrealized gains on inter- company transactions	41,663	10,742	-	52,405
Balance of deferred tax asset	<u>(45,608)</u>	<u>5,604</u>	<u>(23,053)</u>	<u>(63,058)</u>
<b>Deferred tax liability in the statement of financial position as of December 31, 2021</b>				<u>(107,218)</u>
<b>Deferred tax asset in the statement of financial position as of December 31, 2021</b>				<u>44,083</u>

**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>2022</b>	<b>2021</b>	<b>2020</b>
	<b>NIS in thousands</b>		
Pre-tax profit (including equity)	235,861	71,567	91,737
Adjustment for profit in respect of income from	57,815	30,825	-
Total	293,676	102,393	-
Primary tax rate of the Company	23%	23%	23%
	67,545	23,550	23,698
Tax increment (saving) in respect of:			
In respect of subsidiaries operating outside of	(8,841)	(1,475)	(2,425)
Non-deductible expenses	1,647	1,187	669
Update to deferred taxes in respect of carryforward losses	-	-	1,819
Interest income and expenses in respect of inter- company transactions	-	-	-
Other differences	(2,585)	9	257
	<u>(9,779)</u>	<u>(362)</u>	<u>1,517</u>
Income tax expense (income) from continuing	57,766	23,188	25,215
Effective tax rate	<u>20%</u>	<u>23%</u>	<u>24%</u>

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**G. Unrecognized deferred tax liabilities**

As of December 31, 2022 and 2021, 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 companies that hold 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 those companies to the Company in the foreseeable future.

**H. Tax assessments**

The Company has been issued tax assessments that are considered as final through tax year 2017. 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 which are considered final up to and including tax year 2016. The Company has a final income tax assessment in respect of deductions up to and including 2016.

**I. Carryforward losses**

As of the Reporting Date, the Company has carryforward loss (from a business) in Israel in the amount of approximately NIS 242 million, for which the Company created deferred taxes.

**Note 29 - Information Regarding Operating Segments**

As of the Reporting 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:

- Photovoltaic Segment (in Israel and in the United States) - Initiation, development, and connection of photovoltaic 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) - initiation, development, and connection of projects for the sale electricity produced using wind energy and their operation over their active period.

The relevant storage activity is included as an integral part of each of the foregoing segments.

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 arrangements. Additionally, the business units

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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 the segmental results after neutralizing the effects of IFRS 16 and the amendment to IAS 23. Therefore, rent payments are presented as operating lease expenses (and not as depreciation expenses and financing expenses), and without the capitalization of non-specific borrowing costs for systems under construction and adjustments due to the reversal of the effects of the aforementioned standards on the segmental results, and are presented under the column for adjustments.

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.

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**Notes to the Consolidated Financial Statements**

**Note 29 - Information Regarding Operating Segments (Cont.)**

	Year ended December 31, 2022							
	Photovoltaic		Wind		Total reportable segments	Unallocated 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, initiation, general and administrative expenses	(33,313)	(26,827)	(34,419)	(146)	(94,705)	(45,318)	18,617	(121,406)
<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 investee 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 under construction.

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**Note 29 - Information Regarding Operating Segments (Cont.)**

	Year ended December 31, 2021							
	Photovoltaic		Wind		Total reportable segments	Unallocated 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, initiation, general and administrative expenses	(24,742)	(11,572)	(24,421)	(110)	(60,845)	(32,156)	13,113	(79,888)
<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 Company's share in the results of associates	-	30,825	-	-	30,825	-	-	30,825
	-	-	-	-	-	1,320	-	1,320
<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	815,202	610,025	503,229	-	1,928,456	-	12,624	1,941,080
Assets of reportable segments and other operations - under construction	258,497	555,426	495,579	146,981	1,456,483	-	-	1,456,483
Other amounts	446,908	188,607	318,497	19,977	973,989	99,005	312,498	1,385,492
<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 stages of initiation.

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**Note 29 - Information Regarding Operating Segments (Cont.)**

	Year ended December 31, 2020							Total consolidated
	Photovoltaic		Wind		Total reportable segments	Unallocated expenses	Adjustments	
	Israel	USA	Poland	Israel (*)				
	NIS in thousands							
	(Audited)							
Revenues from the sale of electricity	109,766	5,661	89,375	-	204,802	-	(2,969)	201,833
Revenues from the production of green certificates	703	993	58,749	-	60,445	-	(475)	59,970
Other revenues, net	693	1	572	-	1,266	-	-	1,266
Maintenance, initiation, general and administrative expenses	(22,488)	(3,291)	(25,506)	(445)	(51,730)	(26,702)	11,141	(67,291)
<b>Profit (loss) before financing, taxes, depreciation and amortization</b>	<b>88,674</b>	<b>3,364</b>	<b>123,190</b>	<b>(445)</b>	<b>214,783</b>	<b>(26,702)</b>	<b>7,697</b>	<b>195,778</b>
Capital gains from sale of consolidated partnership	-	-	-	-	-	-	-	-
Depreciation and amortization	(44,306)	(5,272)	(23,116)	(89)	(72,783)	(846)	(6,699)	(80,328)
Financing expenses, net	(19,279)	(2,073)	(7,084)	-	(28,436)	(3,874)	8,738	(23,572)
<b>Profit (loss) before taxes on income</b>	<b>25,089</b>	<b>(3,981)</b>	<b>92,990</b>	<b>(534)</b>	<b>113,564</b>	<b>(31,422)</b>	<b>9,736</b>	<b>91,878</b>
Taxes on income	-	-	-	-	-	(25,215)	-	(25,215)
Tax income from the Tax Partner Company's share in the results of associates	-	11,299	-	-	11,299	-	-	11,299
	-	-	-	-	-	(141)	-	(141)
<b>Net profit (loss)</b>	<b>25,089</b>	<b>7,318</b>	<b>92,990</b>	<b>(534)</b>	<b>124,863</b>	<b>(56,778)</b>	<b>9,736</b>	<b>77,821</b>
Assets of reportable segments and other operations - connected	721,531	338,156	586,697	-	1,646,384	-	11,055	1,657,439
Assets of reportable segments and other operations - under construction	188,274	426,526	111,546	43,922	770,268	-	-	770,268
Other amounts	160,243	220,052	123,461	6,911	510,667	658,597	214,038	1,383,302
<b>Total consolidated assets</b>	<b>1,070,048</b>	<b>984,734</b>	<b>821,704</b>	<b>50,833</b>	<b>2,927,319</b>	<b>658,597</b>	<b>225,093</b>	<b>3,811,009</b>
Liabilities of reportable segments and other operations	718,399	277,653	334,676	11,465	1,342,193	661,229	220,116	2,223,538
<b>Total consolidated liabilities</b>	<b>718,399</b>	<b>277,653</b>	<b>334,676</b>	<b>11,465</b>	<b>1,342,193</b>	<b>661,229</b>	<b>220,116</b>	<b>2,223,538</b>

(\*) Projects in construction and advanced stages of initiation.

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**Note 30 - Contingencies, Guarantees and Liens**

**A. Contingencies**

During the Reporting Period, and as of the Reporting Date, there are no claims in material amounts pending against the Company.

**B. Liens and guarantees**

(1) Bank guarantees

As of the Reporting Date, the Company has bank guarantees in connection with its connected projects in the amount of approximately NIS 4.9 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 approximately NIS 156 million. As of the Approval Date of the Report, the Company has guarantees of this kind in the amount of approximately NIS 159 million.

As of the Reporting Date, the Company has credit facilities from financial institutions in the amount of approximately NIS 456 million, including facilities in the amount of USD 50 million (approximately NIS 176 million) from a banking corporation in the United States, which are used for the provision of guarantees, of which a total of approximately NIS 240 million is in use, including a total of approximately USD 22 million (approximately NIS 78 million) from a banking corporation in the United States.

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 United States, 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.

During the Reporting Period, a decision was submitted to the Company of 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. In light of the

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above, during the Reporting Period the Company reduced the RET provision in the amount of approximately NIS 3 million.

During the Reporting Period, 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 approximately 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.

The Company did not make additional provisions in respect of the above payment since the Company believes that its provision is sufficient, and that this requirement is not expected to have any significant negative impact (if any) on its financial results.

**Note 31 - Financial Instruments****A. General**

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 additional details, 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);

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.

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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, 2022 amounts to approximately NIS 160,262 thousand (2021: NIS 35,902 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 arrangement 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.
- Electricity and renewable energy certificates are sold in the United States 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 production systems from the electric corporation, as stated above. The Company believes that the credit risk in respect of the electric corporation in the United States 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 Reporting 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.

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**(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 commercially active 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 arrangements.

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.

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.

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**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:

As of December 31, 2022								
	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	-	149,510	149,510	149,510	-	-	-	-
Hedging financial instruments	-	324,548	324,547	135,835	56,806	25,993	21,014	84,899
Long term liabilities	-	7,395	7,396	34	4,773	67	73	2,449
Lease liability according to IFRS 16	6.28%-3.28% Linked	392,048	564,549	30,797	32,666	32,180	32,332	436,574
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	573,687	1,417	1,417	1,417	1,417	568,019
Long term loans from financial institutions in Israel (*)	1.95%-4.6%, linked	995,500	1,173,986	87,886	86,127	82,830	78,486	838,657
Liability in respect of agreement with the Tax Partner (**)	7.69%	50,193	49,881	14,308	10,131	10,102	6,520	8,820
Long term loans from financial institutions in Poland (*)	2.27%+WIB OR 6M	361,084	573,279	33,126	40,894	38,000	37,358	423,901
		3,407,164	4,067,988	539,679	318,045	274,285	259,362	2,676,617

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		<b>As of December 31, 2021</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>NIS in thousands</b>						
Trade payables, other payables and credit balances		- 193,425	193,425	193,425	-	-	-	-
Hedging financial instruments		- 66,020	66,020	11,024	8,708	6,944	6,870	32,474
Long term liability		8,447	8,448	-	246	5,974	67	2,162
Lease liability according to IFRS 16	3.4%-6.28%, linked	281,007	329,182	15,490	14,234	14,125	14,287	271,046
Bonds (Series A)	2.05%	674,398	737,980	86,827	86,766	85,231	83,696	395,460
Bonds (Series B)	0.25%	518,939	574,851	1,333	1,417	1,417	1,417	569,269
Long term loans from financial institutions	1.95%-3.3%, linked	855,191	1,041,132	76,198	76,532	74,998	71,345	742,059
Liability in respect of agreement with Tax Partner	7.69%	100,393	121,185	16,712	13,186	13,192	13,167	64,928
Long term loans from financial institutions in Poland	2.27%+WIBO R 6M	258,801	386,617	20,666	19,898	24,057	24,761	297,235
		<b>2,956,621</b>	<b>3,458,840</b>	<b>421,675</b>	<b>220,988</b>	<b>225,937</b>	<b>215,610</b>	<b>2,374,631</b>

(\*) For details regarding the carrying amount of the financial assets which are used as collateral for the aforementioned liabilities, see Note 14.

(\*\*) The aforementioned amount constitutes the financial liability component out of the total liability in respect of the agreement with the Tax Partner. For details, see Note 3p(5).

The entire theoretical exposure to liquidity risk amounts to a total of approximately NIS 4,068 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 Reporting 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 United States, 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 Reporting Date, the Company has hedging transactions in the amount of approximately PLN 1,072 million, and a cross currency swap in the amount of approximately PLN 213 million. For additional details regarding swap hedge transactions, see Note 14c(8).

Additionally, as of the Reporting Date, the Company had hedging transactions in the amount of approximately USD 354 million, as well as a cross currency swap in the amount of approximately USD 235 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.

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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.

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.

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The following table specifies the foreign currency forward contracts as of December 31, 2022:

<u>Date of settlement</u>	<u>Type of transaction</u>	<u>Sale</u>	<u>Foreign currency</u>	<u>Purchase</u>	<u>Foreign currency</u>	<u>Average exchange rate</u>	<u>Fair value NIS in thousands</u>	<u>Type of settlement</u>
		<u>Thousands</u>		<u>Thousands</u>				
<b>Derivatives designated as hedging components:</b>								
Short term	Forward	715,000	PLN	510,558	NIS	0.71	(44,219)	Gross
Long term	Forward	90,000	PLN	59,130	NIS	0.66	(7,511)	Gross
Short term	Forward	247,000	USD	812,295	NIS	3.32	(50,951)	Gross
Long term	Forward	40,000	USD	136,120	NIS	3.40	(841)	Gross
Short term and long term	CCS	266,667	PLN	241,680	NIS	0.91	39,798	Net
Short term and long term	CCS	66,667	USD	206,833	NIS	3.10	(24,477)	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, 2022</b>		
	<b>Increase of 10%</b>	<b>Carrying value</b>	<b>Decrease of 10%</b>
	<b>Profit and loss /</b>		<b>Profit and loss /</b>
	<b>comprehensive income</b>	<b>comprehensive income</b>	<b>comprehensive income</b>
<b>Foreign currency sensitivity - 10% change</b>	<b>NIS in thousands</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)
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
Lease liability	(12,465)	(124,653)	12,465
Trade payables, other payables and credit balances	(4,670)	(46,699)	4,670
<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)
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
Lease liability	(9,785)	(97,849)	9,785
Hedging financial instruments - forward transactions	(99,357)	(51,792)	99,357
Hedging of electricity prices in the United States	(19,655)	(196,549)	19,655
Hedging financial instruments - CCS	(21,825)	(24,477)	21,881

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	As of December 31, 2021		
	Profit and loss / comprehensive income	Carrying value	Profit and loss / comprehensive income
<b>In EUR:</b>			
Cash and cash equivalents	5,114	51,137	(5,114)
Trade payables, other payables and credit balances	(388)	(3,884)	388
<b>In PLN:</b>			
Cash and cash equivalents	5,485	54,849	(5,485)
Trade receivables, other receivables and debit	1,443	14,434	(1,443)
Trade payables, other payables and credit balances	(3,005)	(30,047)	3,005
Hedging financial instruments - forward transaction	(45,516)	50,684	45,516
Hedging financial instruments - CCS	(23,207)	55,566	23,207
<b>In USD:</b>			
Cash and cash equivalents	14,599	145,987	(14,599)
Trade receivables	361	3,609	(361)
Hedging financial instruments	(64,333)	31,855	64,333
Trade payables, other payables and credit balances	(4,840)	(48,404)	4,840
Liability in respect of agreement with Tax Partner	(10,039)	(100,394)	10,039
Lease liability	(4,625)	(46,253)	4,625
Hedging of electricity prices in the United States	(6,572)	(65,773)	6,572

**(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 United States, 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 United States). 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:

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- 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 details regarding the engagement in transactions to hedge against changes in electricity prices in the United States, see Note 9b(2)(b). The aforementioned transactions are accounted for as an accounting cash flow hedge. As of the Reporting Date, the Company assessed, through an independent valuer, the fair value of the transaction in the balance of the liability in the amount of approximately NIS 65.7 million. For details regarding the accounting treatment of a cash flow hedge, see Note 3c(4)(a).

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**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 United States on comprehensive income in respect of derivative financial instruments which are exposed to electricity price risk in the United States (before tax effect):

	<b>As of December 31, 2022</b>		
	<b>Changes to electricity prices in the United States</b>		
	<b>Increase of 10%</b>		<b>Decrease of 10%</b>
	<b>Comprehensive income</b>	<b>Carrying value</b>	<b>Comprehensive income</b>
	<b>NIS in thousands</b>		
Financial derivatives - Hedging of electricity prices in the United States (SWAP)	(44,485)	(196,549)	44,485

	<b>As of December 31 2022 NIS in</b>
<b><u>Instruments measured at level 3 - financial derivatives (swap contract) to hedge electricity prices in the United States</u></b>	
<b>As of December 31, 2021</b>	(65,773)
Capital reserve from translation differences	(14,218)
Amounts carried to the statement of income during the period	(1,225)
Amounts carried to other comprehensive income during the period	(115,333)
<b>As of December 31, 2022</b>	<b>(196,549)</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 arrangement, meaning that increases in the CPI result, by definition, in increases in future revenues from electricity production. 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:

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	<b>As of December 31, 2022</b>		
	<b>Increase of 3%</b>	<b>Carrying value</b>	<b>Decrease of 3%</b>
	<b>Profit and loss</b>		<b>Profit and loss</b>
	<b>NIS in thousands</b>		
<b>Index sensitivity - 3% change</b>			
In the CPI (loans from financial institutions)	(27,512)	982,233	27,512

	<b>As of December 31, 2021</b>		
	<b>Increase of 3%</b>	<b>Carrying value</b>	<b>Decrease of 3%</b>
	<b>Profit and loss / comprehensive income</b>		<b>Profit and loss / comprehensive income</b>
	<b>NIS in thousands</b>		
<b>Index sensitivity - 3% change</b>			
In the CPI (loans from financial institutions)	(24,149)	(855,191)	16,142

(\*) 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, 2022, the Group has loans in the amount of NIS 1,356,748 thousand and bonds in the amount of approximately NIS 1,123,372 thousand, at fixed interest. The fair value of the loans as of the Reporting Date (which is measured at level 2) is NIS 1,228,592 thousand; the fair value of the bonds (Series A) (level 1) as of the Reporting Date is NIS 539,569 thousand; and the fair value of the liability component of the convertible bonds (Series B) (level 2) as of the Reporting Date is NIS 454,570 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 loans and bonds which the Company takes are at fixed interest, or are CPI-linked.

The Company's project loans in Poland which, as of the Reporting Date, amount to a total of NIS 258,801 thousand, are at variable interest, according to the Wibor 6M interest rate.

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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).

**(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 which were designated to hedge foreign currency, whose fair value as of the Reporting Date was equal to the net balance of the asset, in the amount of approximately NIS (88,201) thousand, and which are measured at level 2, and the fair value of the CCS transactions amounts to the net balance of the asset, in the amount of NIS 15,320 thousand.

The Company has derivatives to hedge electricity prices in the United States, which is measured at fair value level 3. As of the Reporting Date, its fair value amounts to the balance of the liability, in the amount of approximately NIS 196,548 thousand.

The Company also has interest rate caps to protect against the impact of interest rate changes on project loans at variable interest in Poland.

Presented below are data regarding the fair value of financial liabilities whose carrying value is not a reasonable approximation of fair value:

	<b>December 31, 2022</b>		<b>December 31, 2021</b>	
	<b>Fair value</b>	<b>Carrying value including interest (*)</b>	<b>Fair value</b>	<b>Carrying value including interest (*)</b>
<b>Financial liabilities (excluding CCS)</b>	<b>NIS in thousands</b>			
	<b>(Audited)</b>		<b>(Audited)</b>	
Marketable bonds (Series A)	539,569 (**)	599,393	690,079 (**)	673,347
Convertible bonds (Series B) - liability component	454,570 (***)	523,979	524,876 (***)	515,657
	1,236,594		1,175,494	
Loans from financial institutions	(***)	1,356,748	(***)	1,114,298
<b>Total</b>	<b>2,230,733</b>	<b>2,480,120</b>	<b>2,390,449</b>	<b>2,303,302</b>

(\*) After deducting the deductible balance

(\*\*) Fair value at level 1

(\*\*\*) Fair value at level 2

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**(4) Financial instruments measured at fair value level 3**

The fair value of electricity price hedging transactions in the United States is classified in these reports at level 3. 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. These estimates include assumptions regarding future electricity prices in periods when there are no observable electricity prices, and assumptions regarding the discount rates which are used in the determination of the fair value of those derivatives. Changes in these estimates and approximations may result in material changes to their 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, 2022, and its operating results for that year.

<b>For the main assumptions which were used in the calculation of fair value</b>	<b>December 31, 2022</b>	
	Range	
Discount rate	5.18%	3.82%
Range of future electricity prices (*)	124.48	39.11
Range of fixed prices in agreements (*)	44	26.25

(\*)Whereby the difference within the range are mostly due to seasonality effects

**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, 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>

**Energix - Renewable Energies Ltd.**  
**Notes to the Consolidated Financial Statements**

	<b>Balance as of January 1, 2021</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, 2021</b>
<b>NIS in thousands</b>						
Loans from financial institutions	(708,749)	(416,564)	357	(16,303)	(**)27 267	(1,113,992)
Lease liability	(202,283)	7,743	9,718	(455)	(95,730)	(281,007)
Bonds (Series A)	(427,478)	(246,361)	-	-	-	(673,839)
Convertible bonds (Series B)	(455,590)	(59,804)	-	-	(3,545)	(518,939)
Liability in respect of agreement with the Tax Partner	(139,766)	(169,608)	9,860	-	28,267	(271,246)
	<u>(1,933,866)</u>	<u>(884,594)</u>	<u>19,935</u>	<u>(16,758)</u>	<u>(43,741)</u>	<u>(2,859,023)</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.

**Energix - Renewable Energies Ltd.**  
**Notes to the Consolidated Financial Statements**

**Note 32 - Additional Information Regarding Events Subsequent to the Reporting Date**

- A. For details regarding the adoption of a dividend policy and regarding the resolution to distribute dividends after the Reporting Date, see Note 16e above.
- B. For details regarding the Company's engagement in a transaction to amend the power purchase agreements with the broker to which the Company sells the electricity in Poland, see Note 9b(c)(4).
- C. For details regarding the acquisition of an additional project with a capacity of 65MWp in Virginia, see Note 9(2)(e)(2).
- D. For details regarding the Company's engagement in power purchase agreements in the United States, see Note 9(2)(e)(3).
- 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 details 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), 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 "2014 Plan").

On February 26, 2023, the Company's Board of Directors approved the allocation of an annual tranche of equity compensation for 2023, and capital compensation instead of a cash bonus for 2022 by virtue of the 2014 plan for the CEO, directors, officers of the Company, and employees of the Company in Israel, Poland and the United States, as follows:

	<b>Equity compensation to employees</b>	<b>Equity compensation to corporate officers (*)</b>	<b>Equity compensation to the Company's CEO</b>
Number of options	2,599,493	622,157	266,270
Including fully accelerated options in lieu of cash bonus	456,267	289,827	266,270
Number of recipients	97	7	1
Share price (in NIS)	10.49	10.49	10.49
Exercise price (in NIS) (**)	11.38	11.38	11.38
Fair value of option	2.83	2.83	2.97
Expected volatility	39%	39%	39%
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	4.11%	4.11%	4.07%
Expected dividend rate	-	-	-

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**Energix - Renewable Energies Ltd.**  
**Notes to the Consolidated Financial Statements**

- (\*) 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, at the end of the stock exchange trading day before the date of the Board of Directors' resolution to grant the options.

The fair value is estimated using the Black and Scholes model. The total economic value of the options amounts to approximately NIS 11,226 thousand. Out of said total, an amount of approximately NIS 4,243 thousand will be carried immediately to profit or loss (due to their granting in lieu of a cash bonus) and the remaining NIS 6,983 thousand is expected to be deducted over 24 months, in a straight line.

**Energix - Renewable Energies Ltd.**

**Separate Financial Information**

**2022**

**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, 2022 and 2021, and for each of the three years the last of which ended December 31, 2022. 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 provides 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, February 26, 2023**

**תל אביב - משרד ראשי**

מרכז עזריאלי 1 תל אביב, 6701101, ת.ד. 16593 תל אביב 6116402 | טלפון: 03-6085555 | [info@deloitte.co.il](mailto:info@deloitte.co.il)

<b>משרד נצרת</b> מרכז אבן עאמר 9 נצרת, 16100	<b>משרד אילת</b> המרכז העירוני ת.ד. 583 אילת, 8810402	<b>משרד חיפה</b> מעלה השחרור 5 ת.ד. 5648 חיפה, 3105502	<b>משרד ירושלים</b> קרית המדע 3 מגדל הר חוצבים ירושלים, 914510 ת.ח. 45396
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**Energix - Renewable Energies Ltd.**  
**Separate Statements of Financial Position**

	<b>As of December 31</b>	
	<b>2022</b>	<b>2021</b>
	<b>NIS in thousands</b>	
	<b>(Audited)</b>	
<b>Assets</b>		
<b><u>Current assets</u></b>		
Cash and cash equivalents	95,456	297,173
Trade receivables and income receivable from customers	315	111
Receivables - investee companies	1,542	2,800
Receivables and debit balances	9,073	96,966
<b>Total current assets</b>	<b>106,386</b>	<b>397,050</b>
<b><u>Non-current assets</u></b>		
Connected electricity production systems	2,210	2,498
Systems under construction and inventory	6,326	5,932
Right-of-use asset	8,338	9,883
Fixed assets	9,965	8,254
Investment in investee companies	3,494,033	2,410,581
Other receivables	143,294	80,470
<b>Total non-current assets</b>	<b>3,664,166</b>	<b>2,517,618</b>
<b>Total assets</b>	<b>3,770,552</b>	<b>2,914,668</b>
<b>Liabilities and equity</b>		
<b><u>Current liabilities</u></b>		
Current maturities in respect of bonds	74,871	74,871
Current maturities of lease liabilities	1,406	1,406
Trade payables	4,226	3,733
Payables and credit balances	125,876	12,131
<b>Total current liabilities</b>	<b>206,379</b>	<b>92,141</b>
<b><u>Non-current liabilities</u></b>		
Loans from investee companies	91,276	89,161
Other long term liabilities	-	1,500
Liabilities in respect of financial instruments	27,208	-
Bonds	520,288	594,217
Convertible bonds	523,979	514,607
Lease liability	7,491	9,006
Liability for employee severance benefits, net	772	429
Payables – investee companies	2,140	2,115
Deferred tax liabilities, net	62,389	100,529
<b>Total non-current liabilities</b>	<b>1,235,543</b>	<b>1,311,564</b>
<b><u>Equity</u></b>		
Share capital	5,478	4,882
Capital reserves	2,088,487	1,406,435
Retained earnings	234,665	99,646
Total equity attributable to the owners of the Company	2,328,630	1,510,963
<b>Total liabilities and equity</b>	<b>3,770,552</b>	<b>2,914,668</b>

**February 26, 2023**
**Date of Signing of the  
Financial Statements**
**Nathan Hetz  
Chairman of Board  
of Directors**
**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		
	2022	2021	2020
	NIS in thousands		
	(Audited)		
<b><u>Revenues</u></b>			
Revenues from the sale of electricity	951	928	951
Revenue from the initiation and construction of facilities	-	-	69,956
Operating and other income, net	4,335	2,833	3,063
	<u>5,286</u>	<u>3,761</u>	<u>73,970</u>
<b><u>Expenses</u></b>			
Maintenance of systems	10,448	6,872	5,274
Initiation expenses	10	96	438
Payroll and related expenses	22,937	15,796	14,160
Administrative, headquarters and other	19,889	14,150	10,734
	<u>53,284</u>	<u>36,914</u>	<u>30,606</u>
<b>Profit (loss) before financing, taxes, depreciation and amortization</b>	(47,998)	(33,153)	43,364
Capital gains	18,098	12,363	-
Depreciation and amortization	(4,226)	(3,633)	(2,868)
<b>Profit (loss) before financing and taxes</b>	(34,126)	(24,423)	40,496
Financing income	111,641	58,512	48,889
Financing expenses	(28,758)	(22,536)	(21,319)
Financing income, net	82,883	35,976	27,570
<b>Profit after financing, net</b>	48,757	11,553	68,066
Company's share in the results of associates and joint ventures	196,733	81,868	33,214
<b>Profit before taxes on income</b>	245,490	93,421	101,280
Taxes on income	(8,800)	(14,102)	(24,071)
<b>Income for the year attributable to the owners of the Company</b>	<u>236,690</u>	<u>79,319</u>	<u>77,209</u>
<b>Net earnings per share attributable to the equity holders of the Company (NIS):</b>			
Basic	<u>0.447</u>	<u>0.163</u>	<u>0.167</u>
Diluted	<u>0.435</u>	<u>0.161</u>	<u>0.162</u>
<b>Weighted average share capital used to compute the earnings per share (thousands of shares):</b>			
Basic	<u>529,476</u>	<u>486,454</u>	<u>462,794</u>
Diluted	<u>564,145</u>	<u>493,728</u>	<u>477,826</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	199,561	(143,367)	(88,860)
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	(161,328)	103,306	33,432
Company's share in changes in the capital reserve from cash flow hedge	(5,893)	(32,102)	16,062
Profit (loss) in respect of cash flow hedge - value of time, net of tax	(50,184)	(1,937)	-
<b>Total other comprehensive income (loss) for the year attributable to the equity holders of the Company</b>	<u>218,846</u>	<u>5,219</u>	<u>37,843</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		
	2022	2021	2020
	NIS in thousands		
	(Audited)		
<b>Cash flows - operating activities</b>			
Income for the year	236,690	79,319	77,209
Expenses not involving cash flows (Appendix A)	(295,300)	(113,757)	(31,364)
	(58,610)	(34,438)	45,845
Changes in working capital (Appendix B)	13,163	(4,806)	1,913
<b>Net cash used in operating activities</b>	(45,447)	(39,244)	47,758
<b>Cash flows - investing activities</b>			
Investment in electricity production systems	(609)	(787)	(443)
Decrease in pledged deposit	-	-	2,586
Repayment of loans given to investee companies	-	-	131,032
Consideration from sale of consolidated partnership	25,360	7,805	-
Advance payments to suppliers of fixed assets	(74,102)	-	-
Investment in other fixed assets	(4,015)	(3,757)	(3,996)
Repayment (provision) of loan	13,730	(13,247)	-
Settlement of financial instruments	18,338	46,743	2,891
Investment in partnerships and investees	(652,903)	(563,439)	(574,980)
Consideration from sale of systems under construction	326	-	-
<b>Net cash used in investing activities</b>	(673,875)	(526,682)	(442,910)
<b>Cash flows - financing activities</b>			
Consideration from exercise of share options	29,769	9,665	118,909
Consideration from issuance of shares	673,745	-	461,446
Issuance of bonds and convertible bonds	-	312,963	500,000
Bond issuance costs	-	(2,006)	(5,245)
Repayment of principal in respect of lease liability	(1,515)	(1,447)	(1,084)
Transaction with non-controlling interests	(2,860)	-	-
Repayment of bond principal	(74,489)	-	-
Purchase of cap option	-	(10,161)	-
Repayment of long term loans from financial institutions	-	-	(11,414)
Dividend paid to Company shareholders	(106,779)	(87,712)	(75,944)
<b>Net cash from (used in) financing activities</b>	517,871	221,302	986,668
<b>Change in cash and cash equivalents</b>	(201,451)	(344,624)	591,516
<b>Balance of cash and cash equivalents at beginning of year</b>	297,173	641,889	48,060
<b>Effect of fluctuations in exchange rates on cash and cash equivalents</b>	(266)	(92)	2,313
<b>Balance of cash and cash equivalents at end of year</b>	95,456	297,173	641,889

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		
2022	2021	2020
NIS in thousands		
(Audited)		

**Appendix - Adjustments Required to Present Cash Flows from Operating Activities**

**a. Income (expenses) not involving cash flows:**

Financing income, net	(100,817)	(51,929)	(37,109)
Revaluation of loans, deposits and hedging instruments, net	-	340	2
Tax income recognized in profit (loss) for the period	8,800	14,763	22,252
Company's share in the results of associates and joint ventures	(196,734)	(73,368)	(22,114)
Depreciation and amortization	4,226	3,633	2,868
Capital gains from sale of investee partnership	(18,098)	(12,363)	-
Change in provision for employee severance pay	343	42	1
Share-based payment	6,980	5,125	2,736
	<u>(295,300)</u>	<u>(113,757)</u>	<u>(31,364)</u>

**b. Changes in asset and liability items (changes in working capital):**

Increase in trade receivables and other receivables and debit balances	(3,246)	(4,298)	(304)
Decrease (increase) in receivables and debit balances in respect of investee companies	1,258	(560)	(1,039)
Increase in trade payables and other payables and credit balances	15,151	52	3,256
	<u>13,163</u>	<u>(4,806)</u>	<u>1,913</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	-	-	103
Interest paid in respect of operating activities	7,683	-	5,798
Dividend received from investee companies	6,800	8,500	11,100
Taxes paid	-	-	1,819
Interest payments in respect of lease	326	394	320

**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, 2022 (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.

**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.

**Energix - Renewable Energies Ltd.**

**Supplementary Information to the Separate Financial Statements**

**Note 2 - Financial Instruments**

**A. General**

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, 2022, the anticipated maturity dates of the Company in respect of non-derivative financial assets are up to one year, in the amount of approximately NIS 7.8 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-

	Interest rate %	As of December 31, 2022						
		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	-	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>

**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, 2021						Fifth year and thereafter
		Carrying amount	Projected cash flows	Up to one year	Second year	Third year	Fourth year	
		NIS in thousands						
Trade payables, other payables and credit balances		11,730	11,730	11,730	-	-	-	-
Hedging financial instruments		247	247	247	-	-	-	-
Related party payables		3,615	3,615	1,500	-	-	-	2,115
Lease liability according to IFRS 16	Linked, 3.4%-6.28%	10,377	11,741	1,841	1,841	1,841	1,841	4,377
Bonds (Series A)	2.05%	598,968	737,980	86,827	86,766	85,231	83,696	395,460
Convertible bonds (Series B)	0.25%	518,939	574,851	1,333	1,417	1,417	1,417	569,269
Loans from investee companies	2.45%	89,161	98,151	-	-	-	-	98,151
		<u>1,233,037</u>	<u>1,438,315</u>	<u>103,478</u>	<u>90,024</u>	<u>88,489</u>	<u>86,954</u>	<u>1,069,372</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.)**

**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.)**

The linkage and foreign currency exposure of the Company is as follows:

	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	-	-	-	-	9,588	-	9,588
Receivables - investee	-	-	-	-	1,542	-	1,542
Hedging financial	-	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**

**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, 2021						
	EUR	PLN	USD	Other	Unlinked NIS	CPI- linked NIS	Total
	NIS in thousands						
Cash and cash	585	(153)	5,161	15	291,565	-	297,173
Trade receivables	-	-	-	-	111	-	111
Receivables and debit	-	-	-	-	21,947	-	21,947
Receivables - investee	-	-	-	-	2,800	-	2,800
Hedging financial	-	118,912	34,029	-	-	-	152,941
	585	118,759	39,190	15	316,423	-	474,972
Trade payables, other payables and credit balances	156	-	2	-	11,572	-	11,730
Loans from investee companies	-	-	-	-	89,161	-	89,161
Other long term liabilities	-	-	-	-	3,615	-	3,615
Lease liability - IFRS 16	-	-	-	-	-	10,377	10,377
Bonds (Series A)	-	-	-	-	598,968	-	598,968
Convertible bonds (Series B)	-	-	-	-	518,939	-	518,939
Hedging financial instruments	-	247	-	-	-	-	247
	156	247	2	-	1,222,255	10,377	1,233,037
Total surplus of assets over liabilities (assets over liabilities)	429	118,512	39,188	15	(905,832)	(10,377)	(758,065)

**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, 2022</b>		
	<b>Increase of 10%</b>		<b>Decrease of 10%</b>
	<b>Profit and loss / equity</b>	<b>Carrying value</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

	<b>As of December 31, 2021</b>		
	<b>Increase of 10%</b>		<b>Decrease of 10%</b>
	<b>Profit and loss / equity</b>	<b>Carrying value</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)	(15)	(153)	15
In Euro (cash and cash equivalents)	59	585	(59)
In USD (cash and cash equivalents)	516	5,161	(516)
In Zloty (derivative financial instruments)	(11,603)	63,099	11,603
Hedging financial instruments - CCS	(11,603)	55,566	11,603
In USD (hedging financial instruments)	(12,248)	34,029	12,377

**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 details 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>2022</b>	<b>2021</b>	<b>2020</b>
	<b>NIS in thousands</b>		
<b>Current tax expense (income)</b>			
For the current year	-	2,830	1,819
	-	2,830	1,819
<b>Deferred tax expense (income)</b>			
Creation and reversal of temporary differences	35,402	32,767	23,854
Write-down (reversal of write-down) of deferred	(26,602)	(21,495)	(1,602)
	8,800	11,272	22,252
Total income tax expenses from continuing operations	8,800	14,102	24,071

**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, 2022 and 2021 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, 2022 and 2021:

	<b>As of December 31, 2021</b>	<b>Amount carried to profit or loss</b>	<b>Carried to other comprehensiv e income</b>	<b>As of December 31, 2022</b>
<b>2022</b>				
Carryforward tax losses	25,997	26,619	(2,627)	49,989
Small and medium photovoltaic 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)	<u>(100,529)</u>	<u>(8,800)</u>	<u>46,940</u>	<u>(62,389)</u>
Deferred tax liability available for offsetting				(113,081)
Deferred tax assets available for offsetting				<u>50,692</u>
<b>Deferred tax liability in the statement of financial position as of December 31, 2022</b>				<u>(62,389)</u>
	<b>As of December 31, 2020</b>	<b>Amount carried to profit or loss</b>	<b>Carried to other comprehensiv e income</b>	<b>As of December 31, 2021</b>
<b>2021</b>				
Carryforward tax losses	15,567	21,495	(11,065)	25,997
Small and medium photovoltaic systems	(31,912)	(23,086)	-	(54,998)
Financial instruments	(11,819)	-	(20,614)	(32,433)
Employee benefits	348	24	-	372
Investment in investee companies	(29,762)	(9,705)	-	(39,467)
Balance of deferred tax asset (liability)	<u>(57,578)</u>	<u>(11,272)</u>	<u>(31,679)</u>	<u>(100,529)</u>
Deferred tax liability available for offsetting				(126,898)
Deferred tax assets available for offsetting				<u>26,369</u>
<b>Deferred tax liability in the statement of financial position as of December 31, 2021</b>				<u>(100,529)</u>

**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>2022</b>	<b>2021</b>	<b>2020</b>
	<b>NIS in thousands</b>		
Profit before taxes on income	245,491	93,421	101,279
Tax rate of the Company	23%	23%	23%
	<u>56,463</u>	<u>21,487</u>	<u>23,294</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	(45,249)	(18,830)	(7,639)
Company's share in the results of partnerships	(3,550)	334	(737)
Non-deductible expenses	1,646	1,187	669
In respect of subsidiaries operating outside of Israel	(994)	9,761	10,829
Other differences	484	163	(2,345)
	<u>(47,663)</u>	<u>(7,385)</u>	<u>777</u>
Tax expense on income from continuing	<u>8,800</u>	<u>14,102</u>	<u>24,071</u>
Effective tax rate	<u>4%</u>	<u>15%</u>	<u>24%</u>

**D. Unrecognized deferred tax liabilities**

As of December 31, 2022 and 2021, 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.

**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 details regarding credit facilities of the Company, and the use thereof as of the Reporting Date, see Note 14a to the Consolidated Financial Statements which are published with this separate financial information.

**Energix - Renewable Energies Ltd.**

**Supplementary Information to the Separate Financial Statements**

- (2) For details 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 photovoltaic 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 approximately NIS 420 thousand a year, linked to the CPI (actual payment of NIS 431 thousand in 2022), 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 approximately NIS 380 thousand, which are paid on an annual basis.
- (2) The Company has provided operating services for a photovoltaic 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 approximately NIS 1,500 thousand per year.
- (3) The Company provides for projects 2 (the Winning Projects in the first competitive process, 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 approximately NIS 6.8 million.

On February 26, 2023, the Board of Directors determined that the dividend for 2023 will amount to a total of 28 agorot per share, to be paid in 4 equal quarterly payments in the amount of 7 agorot per share, subject to a specific resolution of the Board of Directors in each quarter. The Company's Board of Directors also resolved to distribute a special dividend, which will be paid together with the dividend for Q1 2023, in the amount of 18 agorot per share, and in total, 25 agorot per share.

In accordance with the above, the Company announced a dividend distribution for the first quarter of 2023 in the amount of 25 agorot per share (approximately NIS 136.6 million), which will be paid in March 2023.

**Energix - Renewable Energies Ltd.**

**Supplementary Information to the Separate Financial Statements**

**F. Share capital**

For details regarding a capital raising which was performed by the Company, and regarding options which were exercised during the Reporting 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 9, 11, 15 and 25 to the Consolidated Financial Statements.

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**Additional Details Regarding the Corporation for 2022**

Company name:	<b>Energix - Renewable Energies Ltd.</b>
Company Number in the Registrar:	51-390137-1
Address:	2 Jabotinsky St., Ramat Gan 5250501
Telephone:	03-5668855
Facsimile:	03-5668822
Email:	<a href="mailto:info@energix-group.com">info@energix-group.com</a>
Balance sheet date:	December 31, 2022
Approval date of the report:	February 26, 2023
Reporting period:	Year ended December 31, 2022

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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 8A - Description of the Corporation's business**

See Chapter A of the Report - Description of the Corporation's Business

**Regulation 9 - Financial statements**

See Chapter C of the Report - Financial Statements.

**Regulation 9b - Report regarding the effectiveness of control over financial reporting and over disclosure**

See the report which is attached as **Appendix A** to this chapter.

**Regulation 9C - Separate financial statements**

See Chapter C of the Report - Financial Statements, after the Consolidated Financial Statements

**Regulation 9D - Report regarding liabilities by repayment dates**

See Form T-126, which was published concurrently with the report

**Regulation 10 - Board of Directors' report regarding the state of the Corporation's affairs**

See Chapter B of the Report - Board of Directors' Report

**Regulation 10A - Condensed quarterly statements of comprehensive income**

Attached as part of the Board of Directors' Report regarding the state of the Corporation's affairs

**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 details regarding capital and debt raisings which were offered in the prospectus during the Reporting Period and until the Approval Date of the Report, see Regulation 20 below.

**Regulation 11 - Investments in material subsidiaries and in associate companies as of the date of the statement of financial position**

Name of company	Carrying amount as of December 31, 2022	Rate of legal ownership as of the date of the statement of financial position	Rate of right to appoint directors
	NIS in thousands		
Energix Renewable Energies Holding B.V.	1,256,003	100%	100%
Energix US LLC	1,255,117	58%	100% of the management rights
Energix Neot Hovav Ltd.	78,434	100%	100%
Energix Projects 1, Limited Partnership	4,623	100%	100%
Energix Construction, Limited Partnership	82,472	100.0%	100%
Clean Wind Energy Ltd.	369,119	80.5%	100%
Solaer Energix Renewable Energies, Limited Partnership (the Joint Venture)	318,078	70%	67%
Energix Projects 2, Limited Partnership	44,162	97%	100%
Solaer Energix Engineering, Limited Partnership	4,634	70%	100%

(\*) For additional details 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 associate companies**

Name of the company / partnership to which the loan / capital note was given	Linkage terms	Interest	Balance as of December 31, 2022
		%	NIS in thousands
(*) Fieldon Investments Sp. z o.o. Wiatromill Sp. k.	Unlinked	6%	342,270
Energix Renewable Energies Holding B.V.	Unlinked	0%	956,107
Energix US LLC	Unlinked	0%/3%	1,249,099
Energix Construction, Limited Partnership	Unlinked	4.25%	82,022
Clean Wind Energy Ltd.	Unlinked	17%	244,665
Solaer Energix Renewable Energies, Limited Partnership	Linked	8%/10%	385,251
Energix Projects 2, Limited Partnership	Unlinked	8%/10%	65,165

(\*) The loan repayment dates have not yet been determined.

**Regulation 12 - Changes in investments in material subsidiaries and associate companies during the Reporting Period**

Name of company / partnership	Date	Description	Par value	Cost (consideration)
				NIS in thousands
Energix US LLC	January 2022 to December 2022	Investment	-	181,174
Energix Renewable Energies Holding B.V.	January 2022 to December 2022	Investment	-	84,279
Energix Neot Hovav Ltd.	December 2022	Dividend distribution	-	(6,800)
Clean Wind Energy Ltd.	January 2022 to December 2022	Investment	-	181,463
Solaer Energix Renewable Energies, Limited Partnership (the Joint Venture)	January 2022 to December 2022	Investment	-	30,852
Energix Projects 2, Limited Partnership	January 2022 to December 2022	Repayment of investment	-	(6,270)
Solaer Energix Engineering, Limited Partnership	January 2022 to December 2022	Investment	-	935

(\*) 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, 2022**  
**(NIS in thousands)**

<b>Name of company</b>	<b>Profit (loss) before tax</b>	<b>Profit (loss) after tax</b>	<b>Dividend</b>	<b>Management fees and participation in expenses</b>	<b>Interest income (expenses), net</b>
Energix Renewable Energies Holding B.V.	249,557	196,301	-	-	-
Energix US LLC	(33,675)	21,317	-	-	4,192
Energix Neot Hovav Ltd.	8,221	6,333	6,800	1,500	-
Energix Projects 1, Limited Partnership	1,466	1,466	-	838	-
Clean Wind Energy Ltd.	(145)	(111)	-	-	49,154
Solaer Energix Renewable Energies, Limited Partnership (the Joint Venture)	(9,454)	(9,454)	-	-	42,382
Energix Projects 2, Limited Partnership	(10,856)	(10,856)	-	370	3,971
Solaer Energix Engineering, Limited Partnership	294	294	-	791	-

**Regulation 14 - Balances of loans, if the provision of loans was one of the Corporation's main activities**

N/A.

**Regulation 20 - Trading on the stock exchange - securities listed for trading - dates and reasons for suspension of trading**

During the Reporting Period, 7,808,771 ordinary shares with a par value of NIS 0.01 each were listed for trading (“**Ordinary Shares**”), following the exercise of non-marketable options of the Company from Series 3/2016, 3/2019, 5/2019, 6/2019, 12/2019 and 04/2020. Additionally, in January the Company allocated, as part of a public allocation, 25,800,000 ordinary Company shares, with a par value of NIS 0.01 each, against the payment of a gross total of approximately NIS 336,690 thousand. For additional details, see the immediate report which the Company published on January 12, 2022 (reference number 2022-01-005953). The information provided in the aforementioned immediate report is included herein by way of reference. For details regarding an issuance of shares in accordance with shelf offering reports which were published in accordance with a shelf prospectus dated May 29, 2019, see Regulation 10C above. In August the Company allocated, as part of a public allocation, 26,000,000 ordinary Company shares, with a par value of NIS 0.01 each, against the payment of a gross total of approximately NIS 339,300 thousand. For additional details, see the immediate report which the Company published on August 11, 2022 (reference number 2022-01-101755). The information provided in the aforementioned immediate report is included herein by way of reference.

During the Reporting 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 - Compensation to interested parties and corporate officers**

Presented below are details regarding the compensation which was given to the highest recipients of compensation during the reporting year, as recognized in the Company's financial statements, which was paid 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 (data are in thousands of NIS).

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) 1.13%	1,607	-	1,607	4,035	-	5,642
Itamar Sarusi	COO	Full	(5) -%	1,374	-	1,374	673	-	2,047
Wylie Levone	Legal Counsel US	Full	(8) -%	1,524	336	1,860	245	-	2,105
Moran Birman	VP Business Development	Full	(7) 0.10%	918	-	918	849	136	1,903
Dafna Reznick	VP Legal	Full	(6) 0.20%	913	-	913	823	131	1,867

- (1) The application of the benefit is presented in accordance with accounting principles. As of December 31, 2022, the share price on the stock exchange was 1,325 agorot, and was approximately 8% higher than the option exercise price in the 2021 plan (1,225 agorot, unlinked), and approximately 11% higher than the option exercise price in the 2020 plan (1,189 agorot, unlinked). The share price on the stock exchange as of February 26, 2023 is 1,410 agorot, and it is approximately 15% higher than the option exercise price in the 2021 plan, and approximately 19% higher than the option exercise price in the 2020 plan. It may also include an annual bonus amount in respect of 2021 which was converted to equity compensation and accelerated in its entirety (such that it became immediately exercisable), since it was given instead of a cash bonus. For additional details, 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) The holding rate in the Company's capital as of December 31, 2022 (without taking into account the outstanding options of each corporate officer).
- (4) The CEO's holding rate in the Company's capital as of December 31, 2022, at full dilution, is 1.78%.
- (5) The COO's holding rate in the Company's capital as of December 31, 2022, at full dilution, is 0.40%.
- (6) The holding rate of the VP Legal and Company Secretary in the Company's capital as of December 31, 2022, at full dilution, is 0.33%.

- (7) The holding rate of the VP Business Development in the Company's capital as of December 31, 2022, at full dilution, is 0.22%.
- (8) The VP Legal US's holding rate in the Company's capital as of December 31, 2022, at full dilution, is 0.2%.
- (9) in accordance with the Company's officer compensation 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 from March 2022 (with the recommendation of the Compensation Committee), and in respect of the discretionary bonus, in accordance with a discussion and approval of the Compensation Committee, on February 22, 2023, and the Company's Board of Directors, on February 26, 2023, proximate to the 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 compensation instead of an annual cash bonus.

**A. Additional details regarding the employment terms of corporate officers****1. Compensation policy for corporate officers**

The Company has a compensation policy for corporate officers which was updated on August 14, 2022, with the approval of the general meeting (the “**Compensation Policy**”), and which is in accordance with Amendment 20 to the Companies Law - 1999 (the “**Companies Law**”).

The compensation policy determines the framework for compensation of the Company’s officers, and includes, inter alia, reference to the components of fixed compensation, which is the main compensation 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 compensation, which include the Company’s authority to grant to officers, in its discretion, any non-fixed compensation, 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 compensation. The compensation plan includes medium term equity compensation, by virtue of which the Company may grant to officers in the Company, excluding the Company’s CEO, and directors holding office therein from time to time, and long term equity compensation, which is given to the Company’s CEO and to officers. The update to the compensation policy included the removal of the discretionary bonus component for the Company’s CEO, and the determination of a compensation 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 compensation 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 Compensation Committee.

For details regarding the compensation policy which was in effect as of the Reporting Period and until the Approval Date of the Report, 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 additional details regarding the compensation of the Company’s corporate officers:****2. The Company’s CEO**

For details regarding the employment terms of the Company’s CEO, in accordance with the compensation 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 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 details 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 United States, 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 2022 amounted to a total of approximately USD 409 thousand. The employment agreement of the US Activity Manager also determines that he is entitled to an annual bonus and to equity compensation in the discretion of the subsidiary, and in respect of equity compensation, also the Company. As part of the above, in respect of 2022 the US Activity Manager is entitled (i) to a cash bonus in the amount of USD 100 thousand, instead of an annual cash bonus. Accordingly, on February 26, 2023, the Company's Board of Directors resolved to grant to the US Activity Manager approximately 129 thousand options, worth USD 100 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); and (ii) medium term equity compensation for 2022, at a value of USD 100 thousand, by virtue of which around 129,327 medium term options were allocated to the US Activity Manager, as part of the Company's employee options plan (the allocation is subject to the receipt of listing pre-approval from the stock exchange). Additionally, in accordance with a resolution of the Company's Board of Directors from August 2022, and following the general meeting's approval of the Company's updated compensation policy, 1,800,000 long term options were allocated to the US Activity Manager in August 2022, in accordance with the Company's 2022 long term options plan for managers.

### 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 United States, 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 2022 amounted to a total of approximately USD 454 thousand. The employment agreement of the Company's VP Legal US also determines that he is entitled to an annual bonus and to equity compensation in the discretion of the subsidiary and the Company (regarding equity compensation). Accordingly, the bonuses for the VP Legal US in respect of 2022 include (i) an annual bonus in the amount of USD 100 thousand; and (ii) medium term equity compensation for 2022, at a value of USD 100 thousand, by virtue of which around 129,327 medium term options were allocated to the VP Legal US, as part of the Company's employee options plan (the allocation is subject to the receipt of listing pre-approval from the stock exchange). Additionally, in accordance with the resolution of the Company's Board of Directors

from August 2022, and following the general meeting's approval of the Company's updated compensation policy, approximately 1,000,000 long term options were allocated to the VP Legal US in August 2022, in accordance with the Company's 2022 long term options plan for managers.

#### 5. VP Business Development

Moran Birman, the Company's VP Business Development, is considered a corporate officer since November 21, 2016 ("**VP Business Development**"). The VP Business Development is employed by the Company in accordance with an employment agreement from September 2012, as updated from 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 2022 amounted to a total of approximately NIS 76 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 compensation in accordance with the Company's compensation policy. Accordingly, the bonuses to the VP Business Development in respect of 2022 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 Compensation Committee's recommendation, in the total amount of NIS 420 thousand (gross), which was entirely given by way of equity compensation, instead of an annual cash bonus. Accordingly, on February 26, 2023, the Company's Board of Directors resolved to grant to the VP Business Development approximately 148 thousand options, within the framework of the Company's options plan, and in accordance with the authority of the Company's Board of Directors and the compensation policy, the vesting of all of those options was accelerated, such that they became immediately exercisable (the grant is subject to the stock exchange's pre-approval for listing); and (ii) medium term equity compensation for 2022, at a value of NIS 250 thousand, by virtue of which around 88,362 medium term options were allocated to the VP Legal instead of the cash bonus, as part of the Company's employee options plan (the allocation is subject to the receipt of listing pre-approval from the stock exchange). Additionally, in accordance with a resolution of the Company's Board of Directors from June 2022, and following the general meeting's approval of the Company's updated compensation policy, approximately 833,333 long term options were allocated to the VP Business Development in August 2022, in accordance with the Company's 2022 long term options plan for managers.

The Company's Board of Directors, in its resolution dated February 26, 2023, and following the Compensation Committee's recommendation, (i) updated the VP Business Development's (gross) monthly salary to a total of NIS 63 thousand, beginning with the salary for March 2023; and (ii) allocated 88,362 medium term options in respect of equity compensation for 2023, at a value of NIS 250 thousand (the allocation is subject to the receipt of listing pre-approval from the stock exchange).

#### 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 has been employed in the Company in accordance with an employment agreement since May 2013, as updated 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 2022 amounted to a total of approximately NIS 76 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 compensation in accordance with the Company's compensation policy. Accordingly, the bonuses to the VP Legal in respect of 2022 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 Compensation Committee's recommendation, in the total amount of NIS 400 thousand (gross), which was entirely given by way of equity compensation, instead of an annual cash bonus. Accordingly, on March 26, 2023, the Company's Board of Directors resolved to grant to the VP Legal approximately 141 thousand options instead of the cash bonus within the framework of the Company's options plan, and in accordance with the authority of the Company's Board of Directors and the compensation policy, the vesting of all of those options was accelerated, such that they became immediately exercisable (the allocation is subject to the receipt of listing pre-approval from the stock exchange); and (ii) medium term equity compensation for 2023, at a value of NIS 250 thousand, by virtue of which around 88,362 medium term options were allocated to the VP Legal, as part of the Company's employee options plan (the allocation is subject to the receipt of listing pre-approval from the stock exchange). Additionally, in accordance with a resolution of the Company's Board of Directors from June 2022, and following the general meeting's approval of the Company's updated compensation policy, approximately 833,333 long term options were allocated to the VP Legal in August 2022, in accordance with the Company's 2022 long term options plan for managers.

The Company's Board of Directors, in its resolution dated February 26, 2023, and following the Compensation Committee's recommendation, (i) updated the VP Legal's (gross) monthly salary to a total of NIS 63 thousand, beginning with the salary for March 2023; and (ii) allocated 88,362 medium term options in respect of equity compensation for 2023, at a value of NIS 250 thousand (the allocation is subject to the receipt of listing pre-approval from the stock exchange).

#### **7. Equity compensation**

For additional details regarding equity compensation and the Company's option plans in connection with the granting of equity compensation 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 compensation 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. Directors' compensation - For details regarding the compensation which the Company's directors are entitled to receive, and the amounts which were paid to them during the Reporting Period, and regarding medium-term equity compensation 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 compensation 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 directors 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 Company's controlling shareholder is Alony Hetz Properties and Investments Ltd. 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, 2022 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 Companies Law, and other transactions, see Note 25a and 25b in Chapter C of the Financial Statements.

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.

The Company performed, during the Reporting Period, or during the period after the end of the Reporting Period, and until the publication of this report, negligible transactions, as defined above, with controlling shareholders, or in whom the controlling shareholders have a personal interest, as specified in Note 25a and 25b in Part C of the 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, 2022, shares and options of the Company, see the immediate report, which was published by the Company on January 5, 2023, reference number 2023-01-003423. 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 February 26, 2023**

	<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 - Register of shareholders as of February 26, 2023**

All ordinary shares (547,808,952 ordinary shares with a par value of NIS 0.01 each, security number 1123355) are held at the Registration Company of Bank Hapoalim Ltd. (Private Company No. 510356603), at 62 Yehuda HaLevy St., Tel Aviv.

**Regulation 25A - Registered address and telephone number of the Corporation**

See the introduction to this chapter.

**Regulation 26 - Directors in the Corporation:**

<b>Name</b>	<b>Nathan Hetz - Chairman of the Board</b>	<b>Aviram Wertheim</b>	<b>Oren Frankel</b>	<b>Alona Shefer (Caro)</b>	<b>Linda Ben Shushan</b>	<b>Meir Shani</b>	<b>Orna Hozman- Bechor</b>
<b>ID No.</b>	51673192	055585277	023944176	022972749	059279224	008409732	024570202
<b>Date of birth</b>	7.10.1952	25.10.1958	24.7.1968	19.5.1967	26.5.1965	08.09.1945	12.11.1969
<b>Address</b>	12 Litvinsky St., Ramat Gan	8 HaTarbut St., Ramat HaSharon	11 HaPardes St., Avihayil	4 Mishmar HaYarden St., Givatayim	16 Geffen St., Maccabim 71799	65 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 Compensation Committee, and Financial Statements Review Committee	Yes - Audit and Compensation Committee, and Financial Statements Review Committee	Yes - Audit and Compensation Committee, and Financial Statements Review Committee	Yes - Financial Statements Review Committee

Name	Nathan Hetz - Chairman of the Board	Aviram Wertheim	Oren Frankel	Alona Shefer (Caro)	Linda Ben Shushan	Meir Shani	Orna Hozman-Bechor
<b>Independent director / outside director</b>	No	No	No	Yes - outside director	Yes - outside director	Yes - independent director	Yes - independent director
<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, director in Amot Investments Ltd. and in additional companies of the group of Alony Hetz Properties and Investments Ltd., as specified below.	CFO of Alony Hetz - properties and investments Ltd., director 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>Name</b>	<b>Nathan Hetz - Chairman of the Board</b>	<b>Aviram Wertheim</b>	<b>Oren Frankel</b>	<b>Alona Shefer (Caro)</b>	<b>Linda Ben Shushan</b>	<b>Meir Shani</b>	<b>Orna Hozman- Bechor</b>
<b>Commencement date of tenure as a director in the Company</b>	7.12.2006	18.1.2011	30.7.2014	1.8.2014	1.8.2017	6.6.2019	1.9.2021
<b>Education</b>	BA in Economics and Business Administration - Bar Ilan University, BA in Accounting - Tel Aviv University, Certified Public Accountant.	BA in Business Administration and Accounting - Academic Track of The College of Management Academic Studies, Certified Public Accountant.	BA in Business Administration and Accounting - The College of Management Academic Studies, MST - University of San Jose, California, Certified Public Accountant.	BA in Law - Bar Ilan University, MA in Law - Commercial Law, Tel Aviv University. MBA (Finance), Business School of The College of Management Academic Studies.	BA in Economics, Sociology and Social Anthropology from The Hebrew University, Jerusalem. MBA (Finance and Banking) - 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 EMBA from Bar Ilan University.

<b>Name</b>	<b>Nathan Hetz - Chairman of the Board</b>	<b>Aviram Wertheim</b>	<b>Oren Frankel</b>	<b>Alona Shefer (Caro)</b>	<b>Linda Ben Shushan</b>	<b>Meir Shani</b>	<b>Orna Hozman-Bechor</b>
<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.	General Director of the Ministry of Environmental Protection. General Director of the umbrella agreement between the Israel Land Authority and Netivot Municipality.	Advisory committee member of Moneta - a venture capital fund focused on investment in Fintech and Insurtech, partner in "Forma", a private investment fund which invests in real estate in Europe, member of the advisory board of Alto - an investment fund focused on investment in real estate in the United States, director in the	Director and owner of Shani Aharoni (1995) Ltd. (since 1995), director and consultant in Shnei Hadasim Ltd. (1990's - present).	Chairman of the Board Ashdod Port Ltd., Director General of the Ministry of Interior, Director General of the Ministry of Energy and Water, Director General of the Ministry of Regional Cooperation, Director General of the Ministry for the Development of the Periphery, the Negev and the Galilee.

<b>Name</b>	<b>Nathan Hetz - Chairman of the Board</b>	<b>Aviram Wertheim</b>	<b>Oren Frankel</b>	<b>Alona Shefer (Caro)</b>	<b>Linda Ben Shushan</b>	<b>Meir Shani</b>	<b>Orna Hozman-Bechor</b>
					Provident Fund of El Al Employees, director in Rom study fund. Also served as an outside director in MDG Real Estate Global LTD.		
<b>Corporations in which serves as a director</b>	Energix - Renewable Energies Ltd. (Chairman), Alony Hetz Properties and Investments Ltd., Amot Investments Ltd. (Chairman), Carr Properties (Chairman), Brockton Everlast Inc., director in consolidated companies of	Alony Hetz Properties and Investments Ltd. (Chairman) Amot Investments Ltd., Energix Renewable Energies Ltd., PSP Swiss Property AG, a director in Carr Properties Corporations, and a director in consolidated companies of	Director in consolidated companies of the Company, and in consolidated companies of Alony Hetz Properties and Investments Ltd.	Outside director in Paz Oil Company Ltd.	Outside director: Taro Pharmaceutical Industries Ltd., the Provident Fund for Academics (Investment Committee chair and Audit Committee member). Director: MRR Thirteen Limited, Priortech, Migdal	Green Stream Ltd., Shani Hadasim Ltd., A.G.D.A. Ltd., Shani Aharoni Investments (1995) Ltd.	Ashdod Port Ltd. (Chairman); Global Wings Leasing Ltd., Mishorim Real Estate Investments Ltd., Magorit Israel Ltd., Ret Real Estate Fund, Bazan Ltd.

Name	Nathan Hetz - Chairman of the Board	Aviram Wertheim	Oren Frankel	Alona Shefer (Caro)	Linda Ben Shushan	Meir Shani	Orna Hozman- Bechor
	Alony Hetz and of Oxford Properties, and director in private companies owned by him and by his family members.	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.			Insurance and Financial Holdings Ltd., Sufrin Holdings Ltd., and Netivei Israel.		
<b>Family member of another interested party in the Corporation</b>	No	No	No	No	No	No	No
<b>Whether the Company considers him as having accounting and financial expertise for the purpose of meeting the</b>	Yes	Yes	Yes	Yes	Yes	Yes	Yes

<b>Name</b>	<b>Nathan Hetz - Chairman of the Board</b>	<b>Aviram Wertheim</b>	<b>Oren Frankel</b>	<b>Alona Shefer (Caro)</b>	<b>Linda Ben Shushan</b>	<b>Meir Shani</b>	<b>Orna Hozman- Bechor</b>
<b>minimum number determined by the Board of Directors in accordance with section 92(a)(12) of the Companies Law</b>							

**Regulation 26A - Corporate officers in the Corporation**

Name	Asa Levinger	Dafna Reznick	Moran Birman	Ariel Yotzer	Tanya Friedman	Omri Reif	Israel Gvirtz
<b>ID No.</b>	033515958	034926345	301112959	040342545	309279859	021585690	33762139
<b>Date of birth</b>	20.11.1976	17.2.1978	23.10.1987	1.12.1980	5.2.1984	25.5.1985	19.2.1977
<b>Position held in the Corporation</b>	CEO, Market Risks Manager	VP Legal	VP Business Development	VP Israel Operations Manager	CFO	Comptroller	Internal Auditor
<b>Position held in a subsidiary of the Corporation or in an interested party thereof</b>	Director and President of the subsidiaries	Director in a subsidiary of the Company	None	None	Director in subsidiaries of the Company	None	Internal Auditor of Alony Hetz
<b>Independent authorized signatory in the Corporation</b>	No	No	No	No	No	No	No
<b>Interested party in the Corporation</b>	Yes	No	No	No	No	No	No
<b>Family member of a corporate officer or interested party</b>	No	No	No	No	No	No	No
<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 Economics and Business Administration - Ben Gurion University, MA in Law for Graduates in Economics - Bar Ilan University	BA in Accounting and Economics - Tel Aviv University, Certified Public Accountant; and MBA with a specialization in	BA in Business Administration with a major in Accounting - The College of Management Academic Studies,	C.P.A., B.A. in Economics and Accounting, Certified Internal Auditor (CIA) and Certified in Risk Management Assurance (CRMA)

Name	Asa Levinger	Dafna Reznick	Moran Birman	Ariel Yotzer	Tanya Friedman	Omri Reif	Israel Gvitz
					finance, Tel Aviv University	Certified Public Accountant	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	Deputy supervisor of real estate budgets, local governance and environmental protection, budget division, Ministry of Finance, chairman of the preferred housing complexes committee.	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	May 1, 2021	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 28 - Changes to bylaws or articles of association**

No changes were made to the Company's articles of association in 2022.

**Regulation 29 - Recommendations and resolutions of the Board of Directors, special general meetings**

- A. During 2022, the general meeting did not pass any resolutions which were not in accordance with the recommendations of the directors, in accordance with Regulation 29a(a) of the Regulations.
- B. For details 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 a public offering of 25,800,000 ordinary Company shares with a par value of NIS 0.01 each, as part of a capital raising, in January 2022, in accordance with a shelf offering report by virtue of the Company's shelf prospectus, see Note 16(c) in Part C - Financial Statements, and the Company's immediate report dated January 12, 2022 (reference number 2022-01-005953), which is presented herein, in its entirety, by way of reference.
- D. For details regarding the resolution of the Company's Board of Directors, on March 10, 2022, to adopt a multi-year dividend policy, see Note 16e in Part C - Financial Statements, and the Company's immediate report dated March 13, 2022 (reference number 2022-01-028957), which is presented herein, in its entirety, by way of reference.
- E. For details regarding the resolution of the Company's Board of Directors, on March 10, 2022, to distribute a dividend in the amount of 5 agorot per ordinary Company share, and in the total amount of approximately NIS 25,780 thousand, see Note 16e in Part C - Financial Statements, and the Company's immediate report dated March 13, 2022 (reference number 2022-01-028960), which are presented herein, in its entirety, by way of reference.
- F. For details regarding the Board of Directors' resolution, on May 18, 2022, to distribute a dividend in the amount of 5 agorot per ordinary Company share, and in a total amount of approximately NIS 26,031 thousand, see Note 16e in Part C - Financial Statements, and the Company's immediate report dated May 19, 2022 (reference number: 2022-01-060877), which is presented herein, in its entirety, by way of reference.
- G. For details regarding the resolution of the Company's Board of Directors, on August 10, 2022, to distribute a dividend in the amount of 5 agorot per ordinary Company share, and in the total amount of approximately NIS 20,044 thousand, see Note 16e in Part C - Financial Statements, and the Company's immediate report dated August 11, 2022 (reference number 2022-01-101776), which is presented herein, in its entirety, by way of reference.
- H. For details regarding the approval of the Company's compensation policy by the Company's general meeting on August 14, 2022, see Note 21 in Part C - Financial Statements. Additionally, on August 14, 2023, the Company's general meeting approved, in accordance with the board of directors' recommendations: (1) the approval of an updated compensation package and employment terms for the Company's CEO, Mr. Asa Levinger, effective as from July 1, 2022. For additional information, see Note 26 in Part C of the Report - Financial Statements. (2) Approval to grant 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. For additional details, see Notes 21 and 26 in Part C - Financial Statements.

- I. For details regarding a private allocation of 26,000,000 ordinary Company shares with a par value of NIS 0.01 each, to Altshuler Shaham, which took place in August 2022, see the immediate report which was published by the Company on August 11, 2023 (reference number: 2022-01-101755).
- J. For details regarding the resolution of the Company's Board of Directors, on November 14, 2022, to distribute a dividend in the amount of 5 agorot per ordinary Company share, and in the total amount of approximately NIS 27,390 thousand, see Note 16e in Part C - Financial Statements, and the Company's immediate report dated November 15, 2022 (reference number 2022-01-136984), which is presented herein, in its entirety, by way of reference.
- K. For details regarding the Board of Directors' resolution, on February 26, 2023, to distribute a dividend in the amount of 25 agorot per ordinary Company share, see Note 16e in Part C - Financial Statements.

**Regulation 29A - The Company's resolutions**

- A. For details 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.

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Nathan Hetz  
Chairman of Board of Directors

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Asa Levinger  
CEO

**Appendix A - Report Regarding the Effectiveness of Internal Control over Financial Reporting and Disclosure**

**Annual Report for 2022 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, 2022, is effective.

**Corporate Officers' Declarations:**

- (a) CEO's declaration according to Regulation 9B(d)(1)

**Declarations of Corporate Officers**

**Declaration of the CEO**

I, Asa Levinger, declare that:

1. I have reviewed the periodic report of Energix Renewable Energies Ltd. (hereinafter: the "**Corporation**") for 2022 (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. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting and disclosure, which could reasonably adversely affect the Corporation's ability to collect, process, summarize or report financial data so as to cast doubt on the reliability of financial the reporting and the preparation of the Financial Statements in accordance with law; and -
  - B. Any fraud, whether or not material, that involves the CEO or anyone directly subordinated to the CEO or that involves other employees who have a significant role in internal control over financial reporting and disclosure;
5. I, alone or together with others in the Corporation, state that:
  - 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, 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. I have designed such controls and procedures, or caused such controls and procedures to be designed and applied under my supervision, to provide reasonable assurance regarding the reliability of the financial reporting and the preparation of the Financial Statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;

- 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 Reporting Date.

Nothing in the aforesaid derogates from my responsibility or from the responsibility of any other person under the law.

\_\_\_\_\_  
February 26, 2023

\_\_\_\_\_  
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 2022 (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. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting and disclosure to the extent it relates to the Financial Statements and other financial information included in the reports, which could reasonably adversely affect the Corporation’s ability to collect, process, summarize or report financial data so as to cast doubt on the reliability of the financial reporting and the preparation of the Financial Statements in accordance with law; and –
  - B. Any fraud, whether or not material, that involves the CEO or anyone directly subordinated to the CEO or that involves other employees who have a significant role in internal control over financial reporting and disclosure;
5. I, alone or together with others in the Corporation, state that:
  - 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. I have designed such controls and procedures, or caused such controls and procedures to be designed and applied under our supervision, to provide reasonable assurance regarding the reliability of the financial reporting and the preparation of the Financial Statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;
  
- 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.

\_\_\_\_\_  
February 26, 2023

\_\_\_\_\_  
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 outside directors served in the Corporation.</p> <p>This question can be answered “Correct” if the time period during which two outside directors did not serve does not exceed 90 days, as specified in Section 363a.(b)(10) of the Companies Law. However, in any response (Correct / Incorrect), the time period must be specified (in days) during which two or more outside directors did not serve in the Corporation during the reporting year (including also a tenure period which was approved retroactively, through separation between the various outside directors);</p> <p>Director A: Linda Ben Shushan.</p> <p>Director B: Alona Shefer (Caro).</p> <p>Number of outside directors serving in the Corporation as of the publication date of this questionnaire: 2.</p>	V	
2.	<p>Rate<sup>2</sup> of independent directors<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><input checked="" type="checkbox"/>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 “outside directors”, as defined in the Companies Law.

<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.

3.	<p>During the reporting year, an evaluation was conducted with the during the outside directors (and the independent directors), and it was found that they fulfilled, During the reporting year, the provisions of section 240(b) and (f) of the Companies Law, 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) director have been met.</p>	<p>V [a]</p>	
4.	<p>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 director who is a representative of employees, if an employees representation exists in the Corporation).</p> <p>If your answer is “Incorrect” (i.e., the director is subordinate to the CEO, as aforesaid) - specify the rate of directors who did not fulfill the aforementioned restriction: _____.</p>	<p>V</p>	
5.	<p>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 Companies Law):</p> <p>If your answer is “Incorrect” -</p> <p>Was it for the sake of their presentation of a certain issue, in accordance with the provisions at the end of section 278(a):</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No (Mark X in the appropriate box).</p> <p>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: _____.</p>	<p>V [b]</p>	

<sup>6</sup> In respect of this question - the very fact of tenure as a director 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 director in the Corporation who serves as a corporate officer (excluding a director) 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.

<p>6.</p>	<p>The controlling shareholder (including his relative and/or any other party on his behalf) who is not a director 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>Identity: Ms. Avital Igner - Chief Economist in Alony Hetz Properties and Investments Ltd., the Company’s controlling shareholder (“<b>Alony Hetz</b>”).</p> <p>Position in the corporation (if any): Ms. Avital Igner is not an employee of the Company, and her participation was part of the provision of management services to the Company.</p> <p>Details of the connection to the controlling shareholder (if the person in attendance was not the controlling shareholder himself): Ms. Avital Igner is an employee of Alony Hetz.</p> <p>Was it for the sake of his presentation of a certain issue: <input type="checkbox"/>Yes <input checked="" 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: Ms. Avital Igner attended one meeting.</p> <p>Other attendance: None</p> <p><input type="checkbox"/>N/A (the Corporation has no controlling shareholder).</p>		<p>V [c]</p>
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<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 outside directors (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 directors’ tenure: _____.	_____	_____
	c.	The quorum which was determined in the articles of association in the general meeting, in order to terminate the directors’ 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 director 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.

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	
	b.	<p>Number of directors of all genders serving in the Corporation’s Board of Directors as of the date of publication of this questionnaire:</p> <p>Men: 4, Women: 3.</p>	_____	_____

<sup>9</sup> Following the Board of Directors' 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.



		Name of director	Participation rate in meetings of the <b>Board of Directors</b>	Participation rate in meetings of the <b>Compensation 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	12/12	_____	_____	_____			
		Aviram Wertheim	12/12	_____	_____	_____			
		Oren Frankel	10/12	_____	_____	_____			
		Alona Shefer (Caro)	12/12	8/8	4/4	_____			
		Linda Ben Shushan	12/12	8/8	4/4	_____			
		Meir Shani	12/12	8/8	4/4				
		Orna Hozman-Bechor <sup>14</sup>	12/12	7/7	4/4				
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>12</sup> In respect of a director who is a member of this committee.

<sup>13</sup> In respect of a director who is a member of this committee.

<sup>14</sup> The membership of Ms. Orna Hozman-Bechor in the audit and compensation committee began on May 11, 2022.

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 Companies Law, 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 Companies Law, 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 Companies Law.<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	
1.	a.	Specify the familial relationship between the parties: _____.	—	—

<sup>15</sup> In a bond company - approval in accordance with section 121(d) of the Companies Law.

	b.	<p>The tenure was approved according to section 121(c) of the Companies Law<sup>16</sup>:</p> <p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p><i>(Mark X in the appropriate box)</i></p>	<p>_____</p>	<p>_____</p>
17.		<p>The controlling shareholder or his relative <u>does not</u> serve as CEO or as corporate officer in the Corporation, except as a director.</p> <p><input type="checkbox"/> N/A (the Corporation has no controlling shareholder).</p>	<p>V</p>	

<sup>16</sup> In a bond company - approval in accordance with section 121(d) of the Companies Law.

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	
b.	Chairman of the Board.		V	
c.	Director who is employed by the Corporation or by the controlling shareholder of the Corporation, or by a corporation under his control.		V	
d.	Director 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.	Director 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 Companies Law.		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.	<p>The Audit Committee held, during the reporting year, at least one meeting in the presence of the Internal Auditor and Auditor, and without the presence of corporate officers in the Corporation who are not Committee members, in respect of deficiencies in the Corporation’s business management.</p>	V	
22.	<p>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).</p>	V	
23.	<p>In the reporting year, arrangements 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.</p>	V	
24.	<p>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.</p>	V	

Responsibilities of the Financial Statements Review Committee (hereinafter: the “Committee”) in its preliminary work before the approval of the Financial Statements.

			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 Directors’ 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 Directors’ discussion regarding the approval of the Financial Statements:  First quarter report (2022): 5.  Second quarter report: 5.  Third quarter report: 3.  Annual report: 2.	_____	_____
	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 Directors’ discussion regarding the approval of the Financial Statements:  First quarter report (2022): 3.  Second quarter report: 3.  Third quarter report: 3.  Annual report: 2.		

26.	<p>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.</p> <p>If your answer is “Incorrect”, specify their participation rate: _____</p>		V	
27.	<p>During the entire reporting year until the publication of the annual report, the Committee met all of the conditions listed below:</p>		_____	_____
	A.	<p>The number of members will not be less than three (on the said date of the Committee’s discussion and approval of statements).</p>	V	
	B.	<p>All of the conditions set forth in Section 115(b) and (c) of the Companies Law (concerning the tenure of Audit Committee members) were fulfilled.</p>	V	
	C.	<p>The Chairman of the Audit Committee is an outside director.</p>	V	
	D.	<p>All of its members are directors and the majority of its members are independent directors.</p>	V	
	E.	<p>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.</p>	V	
	F.	<p>The Committee members approved the appointments.</p>	V	

	G.	The quorum required for discussion and for the passing of resolutions in the Committee is a majority of its members, provided that the majority of those present are independent directors, including at least one outside director.	V	
	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: _____.		_____	_____

Compensation Committee



		Correct	Incorrect
		Corporate Governance Questionnaire	
28.	The committee appointed, during the reporting year, at least three members, of which the outside directors 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 Compensation Committee in the reporting year are in accordance with the Companies Regulations (Rules Regarding Compensation and Expenses of Outside Director) - 2000.	V	
30.	The following persons did not serve on the Compensation 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 director who is employed by the Corporation or by the controlling shareholder of the Corporation, or by a corporation under his control.	V	
d.	A director 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 director whose livelihood is primarily dependent on the controlling shareholder. <input type="checkbox"/> N/A (the Corporation has no controlling shareholder).	V	
31.	The controlling shareholder or his relative did not attend, during the reporting year, meetings of the Compensation 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 Compensation 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 compensation 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	
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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	
34.	<p>The Chairman of the Board or the Audit Committee have approved the work plan in the reporting year.</p> <p>Details will also be given regarding the audit matters which the internal auditor worked on during the reporting year: backups, restorations, disaster recovery and business continuity, an extensive audit of the Company’s activity in the United States (construction, operation, ESG and finance), and information security (facilities).</p>	V	

35.	Scope of Internal Auditor's employment in the Corporation during the reporting year (in hours <sup>17</sup> ): 570.	—	—
	In the reporting year, a discussion was held (by the Audit Committee or the Board of Directors) regarding the Internal Auditor's findings.	V	
36.	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.	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
<p>37.</p>	<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>	<p>V [d]</p>

<p>38.</p>	<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 arrangement to delimit the activities between the Corporation and its controlling shareholder was established:</p> <p><input 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>	<p>V</p>	
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[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] Within the framework of the management services which Alony Hetz Properties and Investments Ltd. provides to the Company, in accordance with the management agreement which was signed between the Company and Alony Hetz, and which was approved by the general meeting, from time to time, various representatives of Alony Hetz are required to participate in the meetings of the Company’s Board of Directors, for the purpose of participating in the discussion and presenting various issues.

[d] 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 directors in the Company are officers from Alony Hetz. The engagement was approved in accordance with the provisions of section 275 of the Companies Law - 1999.

Chairman of the Board of Directors: \_\_\_\_\_

Chairman of the Audit Committee: \_\_\_\_\_

Chairman of the Financial Statements Review Committee: \_\_\_\_\_