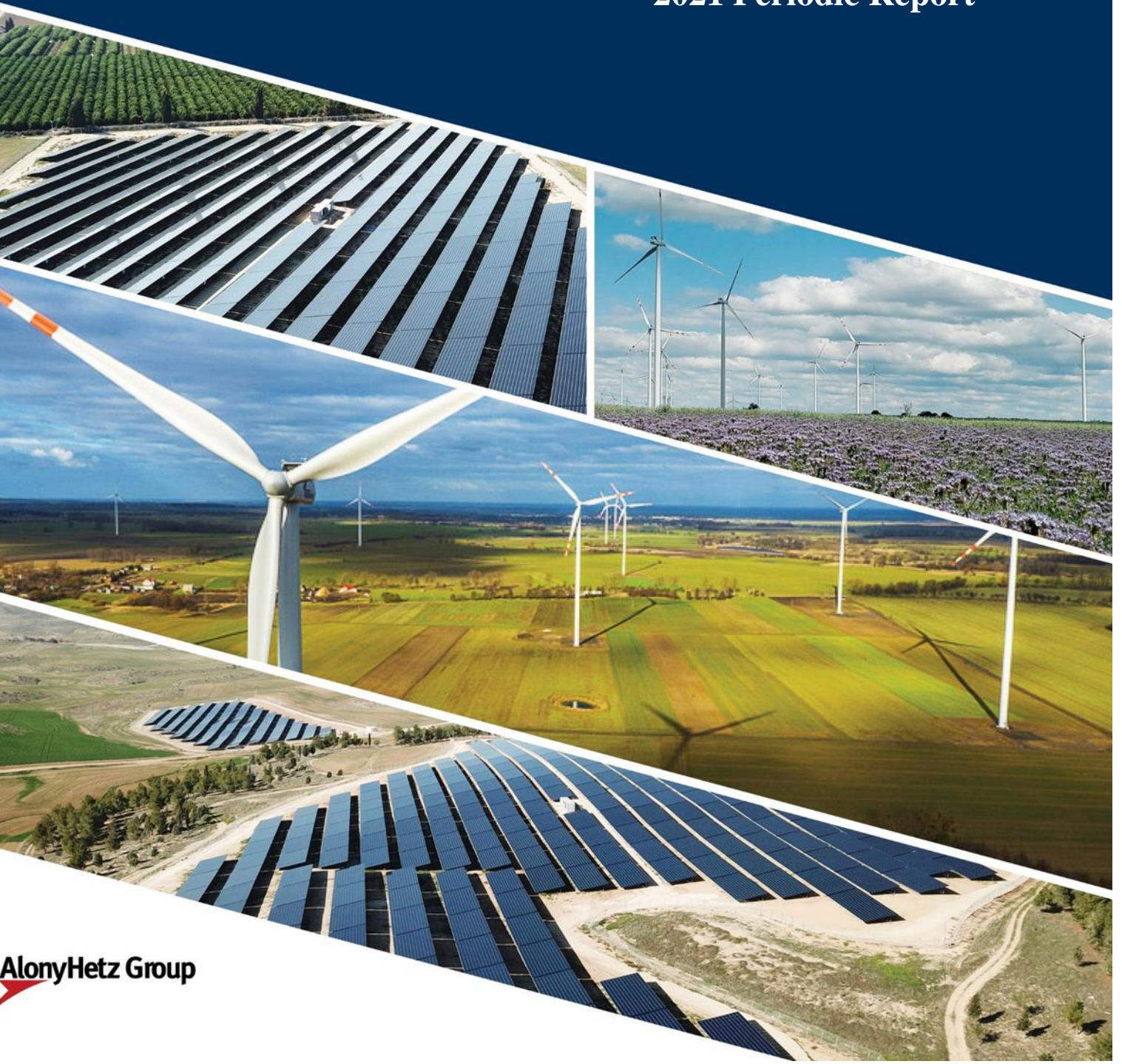


אנרג'יקס אנרגיות מתחדשות בע"מ

2021 Periodic Report



2021 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, 2021 (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 March 10, 2022, 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.¹ ("**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 founded².

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 using 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 local partners in Israel, Poland and the United States.

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 electricity production 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.

¹ 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.

² 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 Wind Energy Segment, and for details regarding the systems which it owns, see Section 7.2 below.

- 1.3 Energy storage activity (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. The Company believes that the energy storage segment will become a central component of the renewable energies market in the coming years, as supplementary products, and as standalone storage facilities. 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.

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 600MW in commercially active projects, approximately 665MWp in projects under construction and pre-construction, approximately 860MW in projects in advanced stages of initiation, approximately 6GW in projects in the initiation stage³, and approximately 7GWh in projects in the Storage Segment.

*It is clarified, for the sake of convenience of disclosure below in the description of the corporation's business and in other parts of the annual report, that in case of a series of projects which are presented together by the Company, some of which are commercially active, while others are under construction, the Company may refer to such projects as "**partially completed and/or partially connected projects**".

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.

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, as well as electricity storage, in a limited number of territories which feature strong economic characteristics, stable energy markets, and strong growth forecasts in the Company's fields of activity.

³ **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.

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 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.

The financing for the construction of the projects is mostly provided out of the Company's own sources, or out of a combination of self-financing and project financing. The project finance transactions to which the Group is party 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.

As the Company matures and becomes more professional in its field of activity, the Company has adopted a One-Stop-Shop model which allows it to ensure leadership throughout the entire value chain of the construction of the projects which it owns, from the initiation and construction stages 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 operations involving the construction of the projects in the Photovoltaic Segment, the Company established a local contractor branch in Israel and in the United States, and developed engineering, purchasing and construction infrastructure which it uses for the construction of the projects which mature to the construction stage; and in respect of projects in Israel, once they have been connected to the power grid – for the routine operation of those projects as well. The construction services and operating services are given to an SPV which holds the project in consideration of payment of cost plus overhead, which constitutes the contractor profit which the Company is entitled to receive in consideration of its contractor services. The Company also charges management and initiation fees from the project companies with respect to the services it provides. The Group has also worked 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. 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 - The 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 for 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;
- F. Business ties and strategic collaborations with leading entities in the market, such as Vestas and First Solar. Strategic and long term collaborations of this kind, which the Company customarily creates, ensure the continuity of supply of the equipment which is required for the Company's orderly activity, while also maintaining price levels, and thereby increasing the Company's robustness vis-à-vis global trends of supply chain disruptions and the increased market prices of equipment and shipping as of the Approval Date of the Report.

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.

The Company published its first corporate responsibility report in mid-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.

For additional details, see Section 2.8 in Part B - Board of Directors' Report.

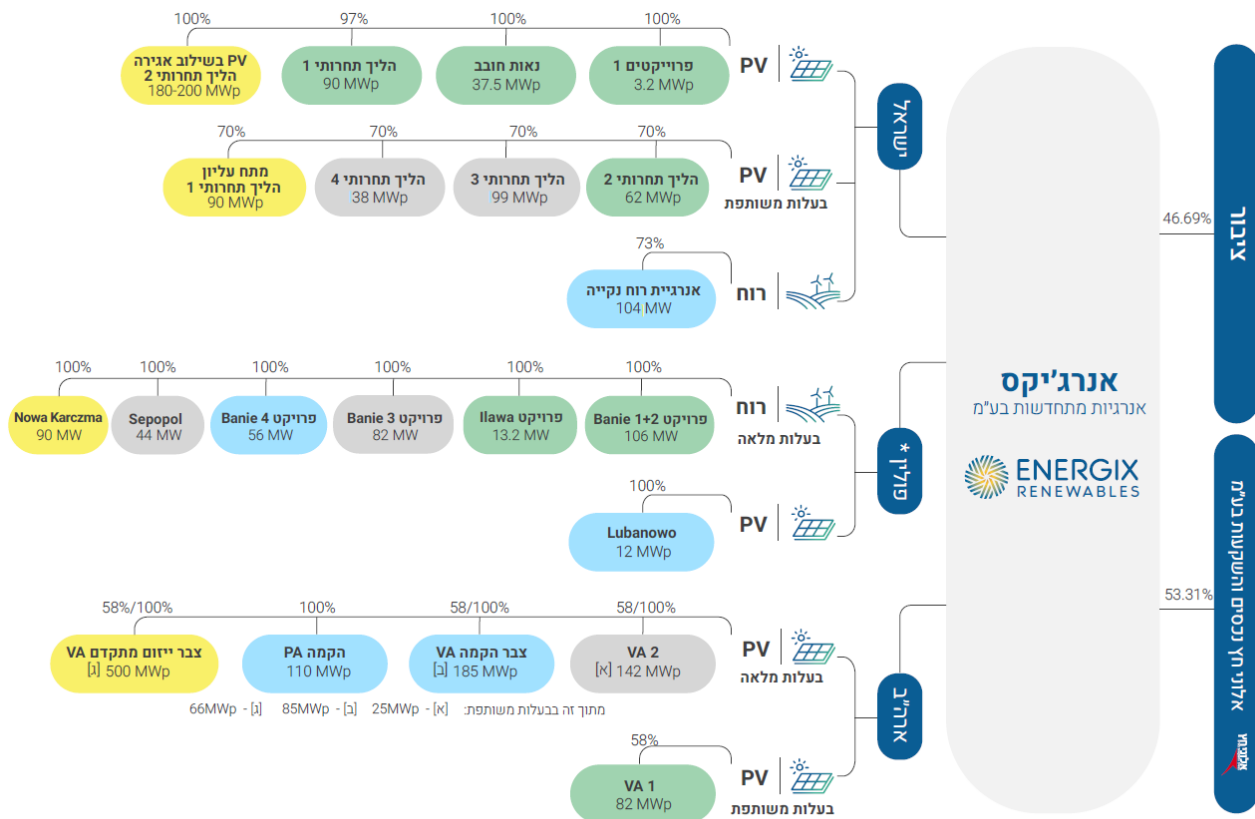
Reference to Forward-Looking Information and to external information sources

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:



■ פרויקטים בהפעלה מסחרית ■ פרויקטים שהקמתם וחיבורם לרשת הושלמו חלקית ■ פרויקטים בהקמה ולקראת הקמה ■ פרויקטים בייזום מתקדם
 1 לא כולל פרויקטים בייזום *באמצעות מבנה החזקות בינלאומי

Alony Hetz Properties & Investments Ltd. – 53.31%				Public – 46.69%		
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% - Virginia 2 - 142 MWp [a]	100% - Lubanowo - 12MWp	100% - Banie project 1+2 - 106 MWp	73% - Clean wind energy - 104 MWp	70% - Competitive process 2 - 62 MWp	100% - Projects 1 - 3.2 MWp
	58%/100% - VA under construction – 185 MWp [b]		100% - Ilawa project - 13.2 MWp		70% - Competitive process 3 - 99 MWp	100% - Neot Hovav – 37.5 MWp
	PA under construction - 110 MWp		100% - Banie project 3 - 82 MWp		70% - Competitive process 4 - 38 MWp	97% - Competitive process 1 - 90 MWp
	VA advanced initiation – 500 MWp [c]		100% - Banie project 4 - 56 MWp		70% - Ultra-high voltage competitive process 1 - 90 MWp	100% - PV including storage, competitive process 2 - 180-200 MWp
	Of which, jointly owned: [a] – 25MWp [b] – 85MWp [c] – 66MWp		100% - Sepopol - 44 MWp			
			100% - Nowa Karczma – 90MW			

Alony Hetz Properties & Investments Ltd. – 53.31%		Public – 46.69%		
Energix – Renewable Energies Ltd.				
USA	Poland *	Israel		
Commercially active projects				
Partially completed and partially connected projects				
Projects under construction and in pre-construction				
Projects in advanced stages of initiation				

¹ Not including initiated projects

* Through an international holding structure

(*) 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 - 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 - 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 millions)	Dividend amount per share (In agorot)
16.11.2020	Around 76	16
8.3.2021	Around 19	4
10.5.2021	Around 19	4
12.8.2021	Around 24	5
7.11.2021	Around 24	5

The balance of distributable earnings as of December 31, 2021, was NIS 100 million.

4.2. Adoption of multi-year dividend policy and dividend for 2022

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, the Board of Directors resolved to determine that the dividend for 2022 will be in the total amount of 20 agorot per share, whereby a dividend in the amount of 5 agorot per share will be distributed in each quarter, subject to a specific resolution of the Board of Directors in each quarter, and in consideration of the need for adjustments, as specified above.

In accordance with the above, the Company announced a dividend distribution for the first quarter of 2022 in the amount of 5 agorot per share (approximately NIS 25.8 million), which will be paid in April 2022.

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 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 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 activities⁴

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 sources⁵, 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 States⁶. 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 60 trillion is required until 2030, as well as USD 110 trillion until 2050⁷.

Additionally, during the Reporting Period, dozens of additional international mega-corporations joined corporations such as Apple, Meta, Google, Microsoft, and others, which set for themselves targets of 100% clean energy consumption by 2050, as part of the RE100 initiative⁸. As of the Reporting Date, over 349 corporations have joined the initiative to date, with the total demand for electricity from renewable sources, of all corporations participating in the initiative, amounting to over 340TWh.

Accordingly, the investment around the world in the transition to energy sources emitting low amounts of CO² is on an uptrend: in 2021, over USD 750 billion 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. The sector receiving the highest investment amount was the renewable energies sector, which attracted investments of over USD 360 billion⁹.

It is noted that in light of the decrease in the cost of electricity production from renewable energy sources¹⁰ 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, relative to the forecast until 2050¹¹:

⁴ 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.

⁵ Renewables 2020 – Global Status Report (REN21).

⁶ New Energy Outlook 2020 - Power Supply Charts.

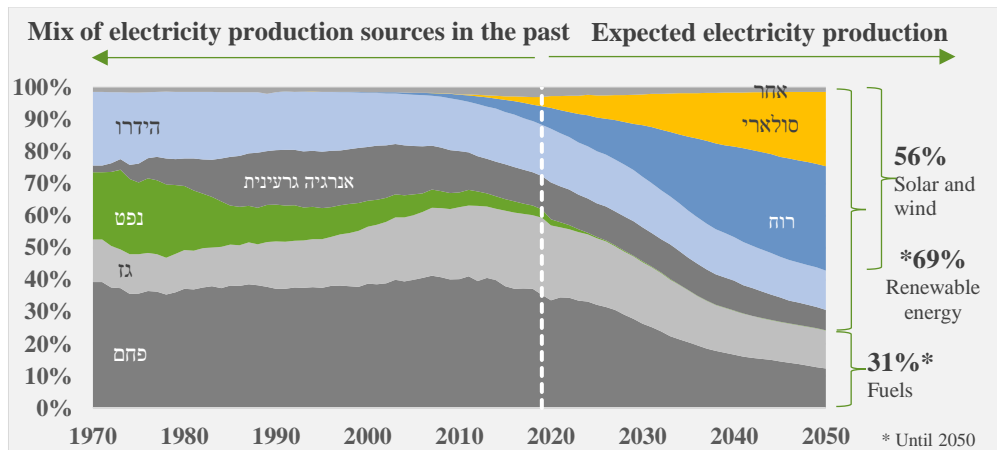
⁷ IRENA - Global Landscape Of Renewable Energy Finance (2020).

⁸ RE100 Annual Disclosure Report 2021 (January 2022).

⁹ Energy Transition Investment Trends, 2022 _ Full Report _ BloombergNEF

¹⁰ Price increases are also expected in the short term.

¹¹ See footnote 5 above.



Index - from top to bottom:

- Other (grey)
- Solar (orange)
- Wind (dark blue)
- Hydro (light blue)
- Nuclear energy (grey)
- Oil (green)
- Gas (light grey)
- Coal (dark grey)

Additionally, in recent years there has been increasing recognition of the need to integrate electricity storage solutions which are expected to result in accelerated growth in the Storage Segment, in light of the Storage Segment's contribution to maintaining grid stability, balancing loads that are created due to the production of electricity from renewable energy sources during hours of peak demand / low demand, and the decline, in recent years, in the prices of the batteries which are used in the Storage Segment¹². This is resulting in the creation of various possible activities which could be relevant to the Company, both as standalone storage projects, and as projects for the production of electricity with integrated storage.

6.2 During the Reporting Period and until the Approval Date of the Report, several worldwide trends have occurred which also affect the Company's field of activity:

- (i) **Increase in electricity prices in the United States and in Poland:** During the Reporting Period and until the Reporting Date, the trend of rising electricity prices in the United States and in Poland increased even more. This trend, insofar as it continues, together with projects which will be built by the Company during 2022 in the United States, and the forecast regarding accelerated schedule of connecting the wind farms in Poland to the power grid - are expected to result in an increase in the Company's total revenues from the sale of electricity in Poland and the United States, in 2022 and thereafter¹³. For additional details regarding the forecasted commercial operation of the wind farms in Poland, and the hedged scopes of production, see Section 7.2 and Note 9 in Part C - Financial Statements.

¹² These prices have recently been increasing, mostly due to the excess demand for raw materials, and competition with the electric vehicle battery market.

¹³ With reference to electricity production which is not subject to hedging transactions.

- (ii) **Supply chain disruptions and increased equipment and transportation costs:** The Company believes that these factors are not expected to have a significant impact on the Company, due to the fact that most of the main equipment required by the Company for the years 2021-2022 has been ordered in advance, and in light of the fact that the equipment suppliers with which the Company is engaged in all three of its operating territories are leading companies, such as Vestas and First Solar, with whom the Company has long term strategic collaborations.
- (iii) **Rising inflation** - 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.
- (iv) **Rising interest rates (unlinked)** - The Company's current financing transactions are at fixed interest, or were fixed with respect to most of the loan principal in transactions to hedge against the risk of increases in the base interest rate.

6.3 **Potential impact of the coronavirus outbreak on the Company's activity:**

The virus that causes COVID-19 began spreading around the world around the world in 2020. As part of the efforts to deal with the pandemic, lockdowns were imposed, and activity in the business, private and public sectors was reduced significantly, in Israel and around the world.

The pandemic's consequences included a significant reduction of business and public activity worldwide, which led to a recession. Beginning in the second half of 2021, thanks to the development of coronavirus vaccines, the economy began to resume almost full business activity, almost immediately. As a result, as of the Approval Date of the Report, the coronavirus, which is still present, has had an immaterial impact on most economic activity, and the private and public sectors appear to have adopted methodologies which allow continuing activity, even under the effects of the coronavirus pandemic. However, the emergence from the recession, and the abrupt resumption of routine activity, also involve several far-reaching effects on global commercial activity, and on the renewable energy industry in particular. This includes a sharp increase in raw materials, supply chain disruptions, rising equipment and shipping costs and rising inflation.

On all matters pertaining to the Company's activity, except as regards delays in the timetable for the development and initiation of projects, which depend on government institutions, the spread of the coronavirus around the world and in Israel, and the associated global trends, to date have not had a significantly negative impact on the Company's activities, and the Company predicts no significant negative impact on its activity in the short term, in light of, inter alia, transactions to peg prices or to hedge foreign currency exchange rates in which the Company has engaged, and strategic and long term collaborations with some of the world's leading equipment suppliers in the Company's three operating territories, which guarantee to the Company an orderly supply of equipment.

The Company's estimates regarding the possible implications of the continuation of the coronavirus event on the Company's activity constitute Forward-Looking Information.

6.4 **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, where the Company has significant activity. This geopolitical situation could have short term effects on the Company's activity (for better or for worse) due to macro effects, such as exchange rates and interest rates. As of the Approval Date of the Report, the PLN has eroded relative to the EUR and NIS, a trend which, if it continues, could affect, including negatively,

construction costs and/or operating results. 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.

6.5 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)¹⁴. As of the Reporting Date, the total installed renewable energy capacity in Israel amounts to around 3.6GW, representing annual production capacity at a rate of 9.4% of total consumption in Israel. Additionally, during the Reporting Period 8.1% of total energy consumed in Israel came from renewable sources¹⁵.

Additionally, according to figures of the Electricity Authority, electricity consumption from renewable energy sources by the end of 2025 is expected to be around 10GW¹⁶, in order to meet the target set by the government in decision 465, as specified below. 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 arrangements and competitive processes

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, efficiency considerations, and balancing between the rising demand for electricity and the electricity production infrastructure, natural resources, and various considerations which affect the construction of infrastructure.

During the Reporting Period, 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 (17.2GWh) of energy storage by 2030. Further to this road map, the Authority is expected to publish, during the coming months, 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 in 2023¹⁷.

B. Opening up the provision segment to competition

¹⁴ Situation report - renewable energy targets in the electricity sector, March 2022.

¹⁵ See footnote 12.

¹⁶ 2020 report regarding the electricity sector, published by the Electricity Authority, August 2021.

¹⁷ Ministry of Energy, Road Map Towards a Low-Carbon Energy Sector by 2050, October 2021.

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 years¹⁸. A condition for operating under the arrangement is the receipt of a provider license which includes, 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.

C. Integration of renewable energy facilities in the wholesale market electricity production model

In accordance with a decision which was published by the Electricity Authority on March 6, 2022, for the first time in Israel, renewable energy facilities which will be integrated into the national transmission grid may sell electricity to the system manager at a variable half hourly rate, in accordance with market rules. 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.

D. Adoption of outline plans

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.

E. Government decisions regarding the establishment of targets for the reduction of greenhouse gas emissions and for the production of electricity from renewable energy sources

In light of the climate crisis, over the years Israeli governments have given increasing importance to expanding and increasing the targets for the production of electricity from renewable energy sources. As of the Approval Date of the Report, in government decision 465 from October 2020, the government approved an increase to the targets for the production of electricity from renewable energy sources by 2030 to 30% (as compared with the previous target of 17%), and established an interim target of at least 20% of total electricity consumption by 2025. Despite the fact that it has not yet been enacted as primary legislation, 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.

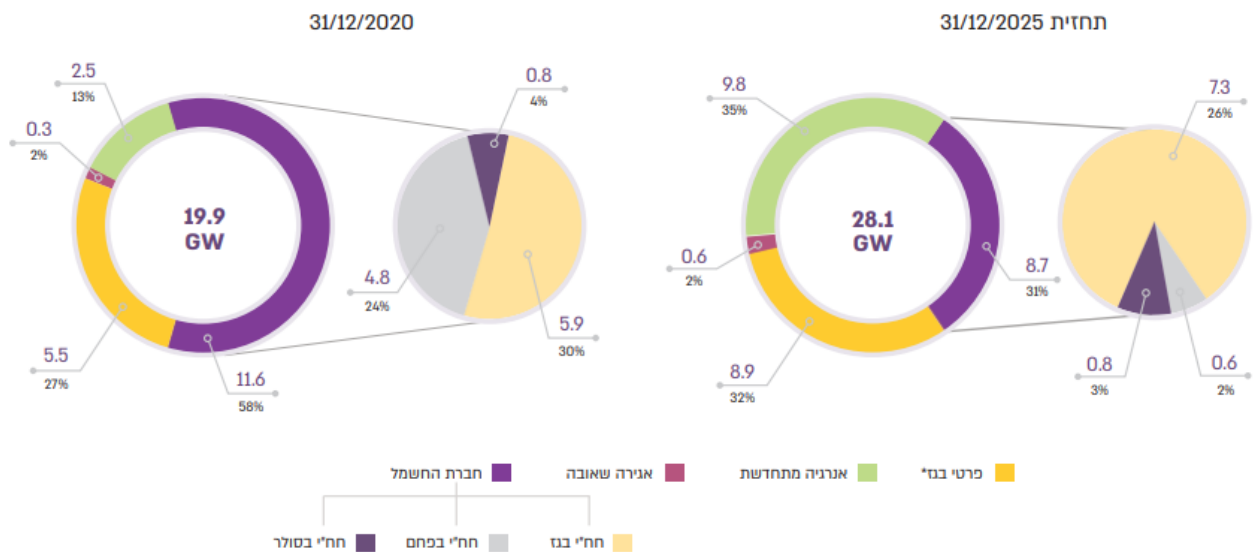
¹⁸ See the Electricity Authority's decision on August 5, 2020. Decision 58604. Principles for gradually opening up the provision segment to new providers and for provision to home consumers:
https://www.gov.il/BlobFolder/policy/58604/he/Files_Hachlatot_58604.pdf

On January 18, 2022, the Electricity Authority decided to increase the supply quota for providers who do not have means of production¹⁹, and increased the quota which was determined for private providers by a cumulative total of 1,000MVA, in 2 stages, such that, beginning on April 24, 2022, the quota increased by 500MVA, and by an additional 500MVA beginning on July 24, 2022.

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.

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.

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:



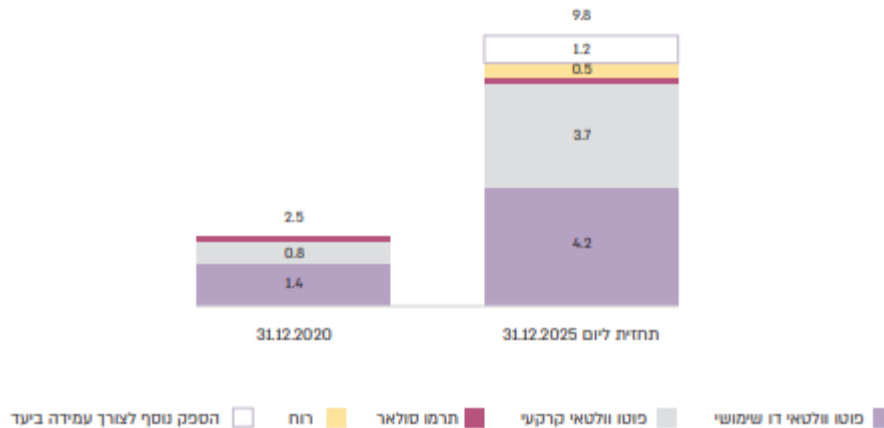
Forecast for December 31, 2025

- Private gas*
- Renewable energy
- Pumped storage
- Electric corporation
- IEC gas
- IEC coal
- IEC solar

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

¹⁹ See the Electricity Authority's decision from January 18, 2022. Meeting 622, decision 62207. Increasing the provision quota for providers which do not have means of production: https://www.gov.il/BlobFolder/policy/62207/he/Files_Hachlatot_62207.pdf

הספק מותקן (GW) - אנרגיות מתחדשות



Installed capacity (GW) – renewable energy

Forecast as of December 31, 2025

- Dual use photovoltaic
- Thermo-solar
- Wind
- Additional capacity to meet the target

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 7.3b below. For details regarding the legislation which is relevant to the Company's activity in the renewable energy sector, see Section 7.8 below.

6.6 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 2021, the renewable energies market in Poland continued growing rapidly, and the production share of renewable energies in Poland amounted to approximately 15% of total electricity production in the country.²⁰ The country's installed renewable energy capacity is approximately 15GW, out of a total of 49GW, of which around 6GW is from wind energy, the largest source of renewable energy in Poland.

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 increased the tenders in Poland until the end of 2027.

²⁰ Baringa Poland Wholesale Power Market Results 2021Q4.

Concurrently, there has been a significant increase in the prices of electricity and green certificates in Poland. The increase in electricity prices was partially due to the increase in prices in the European emissions trading system, dependence on Russian gas, and 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, and in 2022 an amendment to the Distance Act is expected to pass, which will facilitate the development of new projects. 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 4GW²¹.

Despite the challenges posed by the coronavirus pandemic, in the first half of 2021 total investments in renewable energies in Poland amounted to USD 5 billion, as compared with USD 4.4 billion in 2020²², signifying that the growth trend of the renewable energies market in Poland has increased.

For additional details regarding the arrangement in Poland, the publication of tenders, and the Company's winning of a guaranteed tariff in a tariff tender, as well as regarding the Company's activity in the Wind Energy Segment in Poland, see Section 7.2d below.

6.7 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.²³ 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 30GW of solar energy facilities was added in 2021, and total new wind installations in 2021 are expected to amount to over 15GW^{24,25}.

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 decreased cost of producing 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 energy²⁶. These targets were also announced in the states of California and New York.

²¹ See footnote 12 above.

²² BloombergNEF Energy Transition Investment Interactive Datasets.

²³ Sustainable Energy in America 2020 Factbook BloombergNEF

²⁴ 2021 (Q4) Global PV Market Outlook.

²⁵ 2021 (2H) Global Wind Market Outlook.

²⁶ Virginia's Legislative System website, HB 1526 Virginia Economy Act - <https://lis.virginia.gov/cgi-bin/legp604.exe?201+sum+HB1526>

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, as part of the President's efforts to place climate change at the top of government priorities, 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 exclusive use of renewable energies.

On November 15, 2021 President Biden signed a bill called the "infrastructure plan", which includes an investment plan at a total scope of approximately USD 1.2 trillion, of which approximately USD 80 billion is designated for investment in infrastructure to support the transition to the use of green energy, including power grid upgrades, electric vehicle charging infrastructure, advanced storage projects, etc.

On November 19, 2021, Congress passed a major bill called the Build Back Better (BBB) Plan, which includes an investment plan at a total scope of approximately USD 1.7 trillion, of which approximately USD 325 billion will be allocated as tax incentives to support green energy projects, and approximately USD 92 billion is designated for investment in the transition to the use of green energy. This plan includes an increase of the tax refund eligibility rates to the maximum possible (30%), with an option for eligibility for of up to 40%, depending on the fulfillment of criteria, and extension of the eligibility period for tax refunds (ITC). According to Bloomberg, these plans, if implemented in full, are expected to reduce by over 50% the cost of producing electricity from solar projects by 2030. In addition to the foregoing, the Biden Administration is expected to take additional significant measures, such as a bill requiring a significant reduction in methane compound emissions from existing gas and oil facilities, and the joint declaration of the United States and China, after the Glasgow Climate Conference, to establish more aggressive emission reduction targets. It is clarified that as of the Approval Date of the Report, the process of enacting the BBB Bill has not yet been completed, and there is no certainty that it will enter into effect.

The Company believes that the positive trends in the renewable energy market in the United States are expected to empower the industry and allow a significant reduction of polluting emissions by 2050, in accordance with the private sector's increasing demand to consume electricity from renewable energy sources, which led to a situation whereby 51% of companies in the United States have, or are promoting, renewable energy policies.

Additionally, during the Reporting Period, and as of the Approval Date of the Report, there has been a trend of rising electricity prices in the United States, a trend which is significantly improving the economic profitability of renewable energy projects, and the forecast regarding future projects.

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 7.1b and 7.2a below. For details regarding external factors which may affect the Corporation's activities, see Section 32 below.

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 of the Reporting Date, the Company holds a series of photovoltaic projects in initiation stages with a capacity of approximately 6.4GWp. The Company has thereby expanded its activity in the Photovoltaic Segment to its three operating territories: Israel, the United States and Poland. For additional details, see Note 9 in Part C - Financial Statements.

(2) Integration of storage technology in photovoltaic facilities

Storage including PV refers to the capability to store the electricity which is produced by the photovoltaic panels on the site using a facility based on batteries, or any other technology which allows the storage of electrical energy, and its release when needed. The intention is to provide storage capacity for the energy which is produced by the photovoltaic panels, in terms of megawatt hours (MWh). These facilities will be capable of releasing the energy into the grid in a controlled manner, and as required by the system manager or the distributor, when that energy is required by the electricity market. In facilities including storage, it is possible to significantly increase the panel load ratio relative to the connection size, i.e., to install significantly more panels on the same connection size. In this way it is possible to produce much more energy from a given site, using a relatively small connection size, and optimal use of 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 above.

(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 details, see the Company's immediate report dated January 9, 2022 (reference number: 2022-01-004456), which is presented herein, in its entirety, by way of reference.

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

In late 2021, the installed capacity of photovoltaic facilities in Israel amounted to 4.1GW. This capacity is expected to increase by a factor of 4 by 2030, when it is projected to amount to approximately 16.3GW²⁷. 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 2030²⁸, are in onshore photovoltaic facilities, signifying that most of the potential for renewable energy in Israel is in photovoltaic facilities²⁹.

(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. The Electricity Authority has established several tender processes for solar systems on rooftops and on water reservoirs, onshore facilities connected to the distribution grid, and onshore facilities which are connected to the transmission grid.

In recent years, the transition to the tender method in the Israeli solar market has facilitated the construction of the photovoltaic projects, such that today, with respect to projects connected to the distribution grid³⁰, 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 connection of the photovoltaic project, in the entire won capacity, within the time period determined in the arrangement, in order to receive a permanent electricity production license. 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. As part of the above, including during the Reporting Period, the Electricity Authority adopted a series of measures which were intended to incentivize and accelerate the construction of photovoltaic production facilities³¹, for the purpose of meeting the target for the production of electricity from renewable energy sources, including expanding the application of the new tariff arrangements and competition arrangements, where the total capacity won

²⁷ Ministry of Energy, Road Map Towards a Low-Carbon Energy Sector by 2050, October 2021.

²⁸ 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.

²⁹ Matan Shahak, Renewable energy in Israel and issued for discussion - update, Knesset Research and Information Center, December 7, 2021.

³⁰ For projects which are intended for connection to the transmission grid, the entrepreneur is required, as a condition for winning the tender, to present also a positive feasibility survey from the electric corporation, allowing connection to the grid within the specified time period for connection.

therein in the years 2021 and 2020 reflects an additional capacity of over 2,000 MW, as well as storage capacity of over 3,000 MWh for the sector.

The results of the competitive processes in recent years indicate the maturity of the private photovoltaic sector in Israel, which does not exclusively rely on government incentives, since the price of electricity production from these facilities, in accordance with published competitive processes, is lower than the fixed production tariffs of the Electric Corporation. However, at present it appears that the power grid in Israel is not prepared to accept the many facilities by virtue of the foregoing arrangements.

Despite the significant changes in the market, in terms of the characteristics of the arrangements which have been published by the Electricity Authority, in light of the centralized structure and characteristics of the electricity sector, the market still favors arrangements.

In accordance with the arrangements and competitive processes which were published by the Electricity Authority on July 14, 2020, December 28, 2020 and August 18, 2021, from 2020 onwards photovoltaic facilities are expected to be built mostly with integrated storage capacity.

(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.

(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**”). 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, and currently 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.

(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 904MW. 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. It is further noted, with respect to low voltage systems (up to 630KW), that the Electricity Authority has applied the rules of the consumer tariff arrangements, which do not require winning a tender or quota.

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. As of the Approval Date of the Report, the Company is in advanced planning stages of agro-voltaic projects in initiation, in the scope of dozens of megawatts. This decision reflects the Authority's desire to expand facilities these facilities, and to allow the construction of a variety of facilities, of different size scales.

(C) 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) Information regarding tariff tenders which were published, in which the Company won a guaranteed tariff quota, and additional expected tenders

(A) Presented below are details regarding tenders which were published in 2017-2021, and regarding the Company's share in the capacities which were published by virtue thereof:

	Project	Winning date	The Company's share in the winning capacity AC (DC)	Winning tariff per KWh	Status
Tenders which were published and which the Company won during the years 2017-2021	Process 1 - high voltage	21.3.17	70MW (90MWp)	NIS 0.199	Commercially active
	Process 2 - high voltage	28.12.17	50.3MW (62MWp)	NIS 0.1978	Commercially active
	Process 3 - high voltage (*)	3.4.19	80MW (99MWp)	NIS 0.1818	Partially built and connected
	Process 4 - high voltage	19.11.19	30MW (38MWp)	NIS 0.1798	Partially built and connected
	Process 1 - ultra-high voltage	30.5.19	70MW (90MWp)	NIS 0.156	Advanced initiation
	Process 2 - high voltage Including storage capabilities	28.12.20	80MW (180-200MWp)	NIS 0.1745	Advanced initiation
Total			380.3MW (559-579MWp)		

(*) All tariffs are CPI-linked.

- The Company also 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.

(B) Future tenders and processes:

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.

(4) Information regarding the Company's operating infrastructure in the Photovoltaic Segment in Israel

- 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; under construction and in pre-construction; in advanced stages of initiation 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; 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 additional legislation which affects the Company's activity in the Photovoltaic Segment, see Section 7.8 below.
- For details regarding the Company's construction infrastructure, which provides construction and operation services for the Company's facilities in the Photovoltaic Segment in Israel, see Note 9b(1)(a) in Part C of the Report - Financial Statements.

The Company's estimates regarding the development of its activities and future events in Israel constitute Forward-Looking Information, as defined in this report.

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

During the Reporting Period, the Company continued making consistent progress on the promotion and continued growth of its activity in the United States as a primary growth engine, which was significantly affected for the better by the increased support for the renewable energies market. Most of the Company's activity in the United States is focused in Virginia, while during the Reporting Period the Company began expanding into neighboring states as well, including Pennsylvania, Kentucky and West Virginia, all of which are on the transmission grid managed by PJM³².

The Company believes that (i) the agreement involving acquisition of the interests in NCRE, and the significant increase in the series of initiated projects in the United States (approximately 4.3GW), together with the regulatory developments to accelerate the transition to renewable energy; (ii) the significant increase in electricity prices in the Company's operating countries; and (iii) the competitive advantage which was created for the Company due to a significant panel purchase transaction in late 2021, are boosting the Company's accelerated growth potential and the improvement of the Company's competitive position in its operating markets in the United States.

(1) General

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

The power grid manager of several states in the Eastern USA, including Virginia, Pennsylvania, Kentucky and West Virginia.³²

Photovoltaic Segment are also entitled to a federal tax benefit (ITC) in significant amounts, depending on the fulfillment of the conditions for receiving the benefit.

The photovoltaic energy production market is in a significant growth trend, and the forecasted growth in installed capacity of photovoltaic facilities by 2025 increased in late December 2021, relative to December of last year, by around 41%.

(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 consuming 100% electricity 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 tender³³ 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 tenders³⁴ (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 to which the parties commit ("Shape").

(B) Revenues from the sale of green certificates

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

³³ As of the Approval Date of the Report, the Company's activity in the United States is not performed through tenders.

³⁴ See footnote 21.

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.

(D) Federal tax benefit

Entrepreneurs in the renewable energy industry are entitled to a tax benefit (ITC - Investment Tax Credit), such that an entrepreneur which has taxable income in the United States can benefit from a tax credit at a rate of up to 30% of the recognized costs of the projects (the calculation of the costs from which the benefit is derived is done in accordance with the conditions set forth in legislation) (the "**Tax Benefit**"). Alternatively, the entrepreneur 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 40%-45% 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 entrepreneur is responsible for directing the balance of the investment cost towards the construction of the facility (including by way of financing), and is 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 entrepreneur to buy the Tax Partner's interests in the project, under market conditions. In accordance with the legislation which is in effect as of the publication date of the report, the rates of the Tax Benefit are gradually being decreased by the regulator beginning in 2020, such that, in respect of a project whose construction began in 2020 until 2022 (inclusive). The tax benefit rate in respect of the project cost will be 26%; while in respect of a project whose construction will begin in 2023, the tax benefit rate will be 22%; and in respect of a project whose construction will begin in 2024 or later, the tax benefit rate will be 10%. In any case, in case the construction of a project has not been completed by the end of 2025, the tax benefit will amount to 10% only. It is hereby clarified that projects whose construction commenced in 2019 (including through purchases of equipment at a cost representing at least 5% of the project cost), and which will be connected to the grid by the end of 2025, will be entitled to the entire tax benefit, in the amount of 30%.

(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.

In the state of Virginia, the production, distribution and transmission of electricity are regulated fields. During the Reporting Period, and as of the Approval Date of the Report, the distribution grid in the state was mostly controlled by a duopoly of two regional electric companies - Dominion Energy and Appalachian Power Company, while the transmission grid 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 Virginia 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. PJM is therefore in the process of approving 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. 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 significantly³⁵.

(6) 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 - 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

³⁵ This information constitutes Forward-Looking Information.

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 significant expansion of the series of initiated projects in the United States with a capacity of approximately 4.7GWp and over 5.5GWh, and regarding the acquisition of all of the ownership interests in the American company NCRE, an entrepreneurial company in the solar energy and energy storage industry in the United States, see the Company's immediate report dated September 12, 2021 (reference number: 2021-01-145551) and section 2.4 in Part B - Board of Directors' Report, and Note 9 in Part C of the Report - Financial Statements.
- In May 2019 the Company engaged with First Solar in a series of agreements for the acquisition of panels, of which a total of approximately USD 65 million is expected to be used by the Company for its activity in the United States, and may be used by the Company to maintain the tax benefit in the United States. For additional details, see the Company's immediate report dated May 15, 2019 (reference number: 2019-01-046921), and Note 15a(4) in Part C of the Report - Financial Statements.
- For details regarding the expansion of the strategic collaboration with First Solar, and the Company's engagement in an agreement to purchase panels with a total capacity of over 2GWp, and at a total cost hundreds of millions of USD, the Company's immediate report dated January 9, 2022 (reference number: 2022-01-004456), Section 2.1 in Part B - Board of Directors' Report, and Note 15(a)(4) in Part C of the Report - Financial Statements.
- The Company has engaged in several agreements for the acquisition of projects in Virginia and Pennsylvania, as follows:
 - ✓ In October 2020, the Company engaged in an agreement to acquire rights for the construction of a project with a capacity of approximately 110MWp in Virginia, in consideration of (depending on the receipt of a building permit) a total of USD 3 million. The project has ties to the land and an electricity connection agreement vis-à-vis the local electric company. As of the Approval Date of the Report, the Company is working on completing the development processes, and on obtaining all of the approvals and permits which are required for the purpose of reach the stage of "ready for construction".
 - ✓ In March 2021, the Company acquired 100% of the interests in a photovoltaic project with a capacity of approximately 150MWp in Virginia, for a total consideration of approximately USD 7.3 million (of which approximately USD 2.8 million has been paid, and the remainder will be transferred upon the commencement of construction).
 - ✓ For details regarding the engagement in an agreement to acquire a photovoltaic project with a capacity of 110MWp in Pennsylvania after the Reporting Date, which is subject to the fulfillment of suspensory conditions, see Note 9b(2)(d) to the reports.
- 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 - 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.

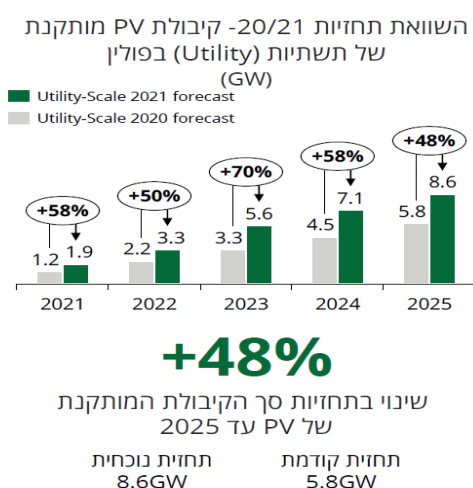
The Company's estimates regarding the development of its activities and future events in the United States constitute Forward-Looking Information, as defined in this report.

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 already established in Poland, during the Reporting Period the Company began working on the development and promotion of projects in the Photovoltaic Segment in Poland, and as of the Approval Date of the Report, the Company is preparing for the construction of the first photovoltaic facility, with a capacity of approximately 12MWp.

(1) General

During the last two years there has been a significant acceleration in the development of the photovoltaic market in Poland, which had approximately 4GW installed at the end of 2020, and according to forecasts, is expected to continue growing significantly. In 2020, relative to 2016, the capacity of solar projects throughout Poland, and the electricity produced therein, increased from 187MW to 3,955MW, and from 123.9GWh to 1,957.9 GWh, respectively. The growth trend in the PV market is expected to continue in the coming years at an average annual growth rate of around 24%, whereby until 2026, installed capacity is expected to increase by a factor of 5. Presented below is a graph showing the potential and expected growth in the photovoltaic market in Poland, in terms of installed PV capacity (GW)³⁶.



Comparison of forecasts for 2020/21 – installed utility PV capacity in Poland (GW)

+48%

Change in forecasts of total installed PV capacity by 2025

Previous forecast – 5.8GW

Current forecast – 8.6GW

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

³⁶ Deloitte Israel & Co 2022.

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) Information regarding the Company's operating infrastructure in the Photovoltaic Segment in Poland

For details regarding a PV project in pre-construction in Poland, the construction of which the Company is preparing to begin in the first half of 2022, see Note 9 in Part C - Financial Statements.

The Company has initiated projects in the Photovoltaic Segment in Poland with a capacity of 120MWp. For additional details, see Section 3.1 of the board of directors' report.

(4) 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 0.5MW, 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.

(5) 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) in Part C of the Report - Financial Statements.

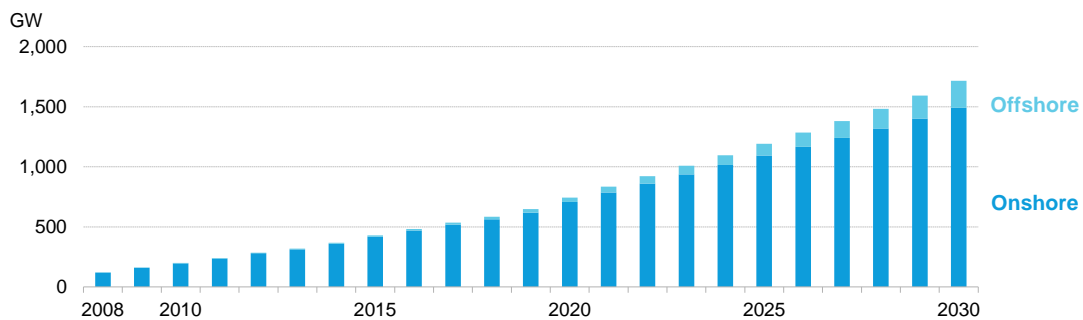
7.2 Wind Energy Segment

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 800 GW.³⁷

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 amount to 93GW, and in 2022 - 88GW³⁸, 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.

Projected and historical cumulative installed capacity of wind energy projects



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

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

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

³⁷ H2 2021 Global Wind Market Outlook _ Full Report _ BloombergNEF

³⁸ Q2 2021 Global Wind Market Outlook

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**

As of the Approval Date of the Report, the Wind Energy Segment in Israel is mostly in the construction, pre-construction, or initiation stages. As of the Reporting Date, in Israel, 24.2MW of wind energy facilities are connected (out of 730 MW in the quota), and additional projects are under construction. 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.

(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.

(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. 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.

(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 memorandum of understanding 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 with respect to 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.

The Company's estimates regarding the development of its activities and future events in Israel constitute Forward-Looking Information, as defined in this report.

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

(1) General

The installed capacity of wind farms in Poland³⁹ is expected to reach 13.2GW by 2030, and 21.4GW by 2050. In recent years, in light of the publication of legislation supporting renewable energy, including in the Wind Energy Segment, activities towards the initiation of the Wind Energy Segment have resumed with greater intensity. For example, in the fourth quarter of 2021, an amendment to the Renewable Energy Sources Law entered into effect, which expanded the state tenders until the end of 2027.

(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

³⁹The figures refer to non-offshore wind farms.

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

Producers of electricity from non-renewable energy sources 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 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. In light of the effects of the coronavirus pandemic, this period may extend by an additional 12 months, such that in total, the period will not exceed a period of 45 months after the date of winning the tender.

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. These laws remain a barrier for the development and construction of new wind projects in Poland. In accordance with the provisions of these laws as of the Approval Date of the Report, a restriction applies to the construction of new wind farms which do not have a valid building permit, and it was determined that new wind projects will be built at a minimum distance of ten times the height of the wind turbines' blades, away from residential buildings. However, in 2022, the Distance Regulations are expected to be amended, in a manner which is expected to lessen the distance limit, in order to facilitate the construction of new wind projects.
- (iii) **Production license** - To produce electricity from renewable energy sources at a capacity greater than 0.5MW, 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) 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 transactions to peg the prices of electricity and the prices of 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, 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, to finance the construction of the wind farm Banie stage 4 (56MWp), on a non-recourse basis, see Note 14d(6) in Part C of the Report - Financial Statements.

- During the Reporting Period and until the Approval Date of the Report, the Company engaged in several agreements to purchase wind farms, in initial stages of initiation, as follows:
 - A. Agreement to purchase a series of 3 wind farm construction projects in initiation stages, whereby one of the three projects has received a building permit, against a total of approximately EUR 1.4 million.
 - B. After the Reporting Date, the Company entered into an engagement to purchase a project for the construction of a wind farm with a capacity of approximately 90MW in northeast Poland, against success fees of up to PLN 20 million, of which the Company has paid, as of the Approval Date of the Report, a total of approximately PLN 3 million.
 - C. A continuation project further to the Banie project, with a capacity of approximately 20MW, in consideration of a total of approximately NIS 3 million, which will be paid depending on the project reaching the commencement of construction.
- 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.

The Company's estimates regarding the development of its activities and future events in Poland constitute Forward-Looking Information, as defined in this report.

7.3 Energy Storage Segment

A. General

Energy storage has existed for some time now; however, in recent years, the need for and use of energy storage has increased significantly around the world, and prices are falling, with the trend expected to continue at least throughout the coming decade⁴⁰.

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. According to estimates, the global energy storage market is expected to exceed 1TWh by 2030, 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. Activity

Given the fact that the energy storage segment is expected to constitute a central component of the renewable energy market, and in light of the Company's strategic intention of continuing to

⁴⁰ IRENA – Electricity storage and renewables: Cost and markets to 2030; In consideration of the recent uptrend, mostly due to excess demand for raw materials; however, this price increase is believed to be only temporary.

play a significant role in the green revolution, during the Reporting Period the Company worked to increase its activity in this segment, while significantly increasing its series of projects in initiation stages, and also identifying opportunities in the Storage Segment in its operating territories.

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. The Electricity Authority also published a hearing before tender publication, regarding the arrangement with respect to stand alone storage facilities. Additionally, in competitive process 2 for the construction of photovoltaic facilities with integrated storage capacity, the Company won a capacity of 80 MWac, plus storage capacity of 320MWh. The Company believes that the construction of storage farms will lead to an increase in supply and in the number of regions throughout Israel in which large systems can be built, and the Company is therefore focusing efforts on the development of collaborations in the Storage Segment.
- (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 5.5 GWh, which the Company is developing while considering several possible revenue models.
- (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.

The Company's estimates regarding the development of its activities and future events in the Storage Segment constitute Forward-Looking Information, as defined in this report.

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 within the framework of the Authority's arrangement,

and is working on engaging with consumers within the framework of the general quota. The Electricity Authority recently decided to expand the capacity which was determined in the arrangement (for additional details, see Section 6.5.B below). This market is in the beginning stages of activity, and is arrangement-dependent, a summary of which is presented below.

C. **Future activity**

The Company is evaluating a combination between this arrangement and its activity in the energy storage segment, see Section 7.3 above.

It is emphasized that the Company's estimates in sections 7.1-7.5, regarding future developments and the realization of the projects that won the competitive processes, and the execution of projects which the Company is initiating and promoting, 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, increases in financing expenses, changes in exchange rates, unexpected expenses, the fulfillment of one or more of the risk factors specified in section 32 below, etc.

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, and according to the one stop shop model, mostly an affiliated entity of the Company, 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. 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.

- 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

During the Reporting Period, and as of the Approval Date of the Report, 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, this trend does not have a significant impact on the Company, due to the fact that most of the main equipment required by the Company for the years 2021-2022 was ordered in advance, and in light of the fact that the equipment suppliers with which the Company is engaged in all three of its operating territories are leading companies, such as Vestas and First Solar, with whom the Company has long term strategic collaborations.

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.

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. 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: According to most of the Company's contractual agreements with the suppliers of the panels which were acquired by the Company, the Company is entitled to receive a 5 year product warranty, a 10 year output warranty for minimum output of 90%, and an output warranty for a minimum output of 80% for an additional 15 years (after the aforementioned 10 year period). In accordance with the various panel series, the Company currently receives a 2-10 year product warranty, in addition to an output warranty for 25 to 30 years, which begins with warranty for 98% output in the first year, and decreases at a rate of 0.3%-0.5% per year, on a linear basis. In total, after 25 to 30 years, the output guarantee is 85.5% or 83.5% (under laboratory conditions).
- (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) 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. In light of the nature of the BOP works, and the fact that 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.

Product warranty in the Wind Energy Segment

Within the framework of the engagements with the turbine manufacturer in respect of each of the Company's wind farms in Poland and in Israel which are commercially active and under construction (as of the Approval Date of the Report), the turbine manufacturer undertook to provide operating and maintenance services for a period of 20-25 years, under which the turbine manufacturer is responsible for the proper operation of the turbines, and the replacement of faulty components, at its own expense, and to a minimum level of availability (whereby failure to meet said level will result in the imposition of fines).

C. Raw materials and suppliers - Photovoltaic Segment

Battery-based electricity storage systems include batteries, 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. Usually, the warranty is given for the system's components, and the battery performance can be extended for a period of up to 20 years.

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 Water. 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. Additionally, the Company, in its role as operating and construction contractor, may be exposed to the relevant aspects of legislation and regulation. 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 respect of the Photovoltaic Segment, see Section 7.1b(2) above.

(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 with respect to 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, with respect to 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 type A 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, engages with one of the primary contractors 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 Safety Supervisor, and the appointment of a professional manager for the various projects.

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.

(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 effect 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).

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) Financial robustness as reflected, inter alia, in financial strength, the required cost of capital 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.
- 6) 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.
- 7) Reputation, experience and proven ability to initiate, develop and build projects of significant scopes.
- 8) Ability to meet the specified timetables in accordance with the relevant arrangements for the operating segments in the various countries.

- 9) The ability to leverage business contacts and relationships with leading contractors and suppliers, in order to allow economic maximization of each project, as required in tariff tender-based arrangement.
- 10) 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.
- 11) 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.
- 12) The Company's ability to adjust itself quickly to technological innovations in the market, in order to exhaust the greatest potential from its activity.
- 13) 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.
- 14) 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) Availability of the power grid which is managed by the IEC / the relevant electric corporation - Ability to accept and connect the systems to the power grid.
- 4) 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.
- 5) 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.
- 6) Availability of power grids - ensuring space on the power grids, and the existence of continuous connection capability to power grids.
- 7) 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 with respect thereto.

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 and geo-thermal 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 for its owned projects (wholly or jointly owned) in construction stages and/or in commercial operation, as applicable, manages, either through local companies or independently, an infrastructure for management, oversight and quality control of the aforementioned projects, and if required - also operation and maintenance of the site. In some of the projects, the Company functions as a contractor as well. 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 with respect to the services which it provides in these areas.

9. Segmentation of revenue and profitability of products

Presented below is the distribution of the Company's revenues in each of the years 2021 and 2020:

	Year ended December 31			
	2021		2020	
	NIS in thousands	%	NIS in thousands	%
Israel (*)	111,781	41.9%	108,193	41.1%
Poland	128,758	48.3%	148,221	56.3%
USA	26,087	9.8%	6,655	2.5%
Total	266,626	100%	263,069	100%

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). Therefore, despite the dependence on this customer, 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 NIS 111 million, which constitute a rate of approximately 42% of the Company's total revenues.

During the Reporting Period, the Company had revenues in an insignificant scope from the sale of green certificates to which it is entitled with respect to 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 black electricity which it produced in the 2 wind farms which are commercially active in Poland, as well as approximately 71% of the total green certificates which were provided to it in respect

of those wind farms. In accordance with the terms of the engagement with Axpo, the electricity which is produced in the Company's facilities was sold according to its price on the exchange, after deducting fees, and the green certificates were sold in accordance with fixed price transactions which were signed with Axpo in respect of the Reporting Period.

The Company's revenue from Axpo during the Reporting Period amounted to NIS 137 million, which constitute a rate of approximately 51% of the Company's total income in its consolidated reports.

For details regarding transactions to peg the price of electricity during the Reporting Period, and to peg the price of electricity and the prices of 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).

For details regarding the signing of binding agreements between the project companies in Virginia Projects 1 and Virginia Projects 2, for the sale of electricity to the local electric companies and to additional entities (including by way of hedging the price of electricity), see Note 9b(2)(b) and 9b(2)(c).

11. Marketing and distribution

As of the Approval Date of the Report, the Company's activity in the Photovoltaic 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 Company's entry into the private provider sector, it is evaluating the possibility of collaborations and investment in marketing and distribution to private consumers.

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 peg the price of electricity, and to sell 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	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 Polish 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 and Note 14 in Part C of the Report - Financial Statements.

16. Intangible assets

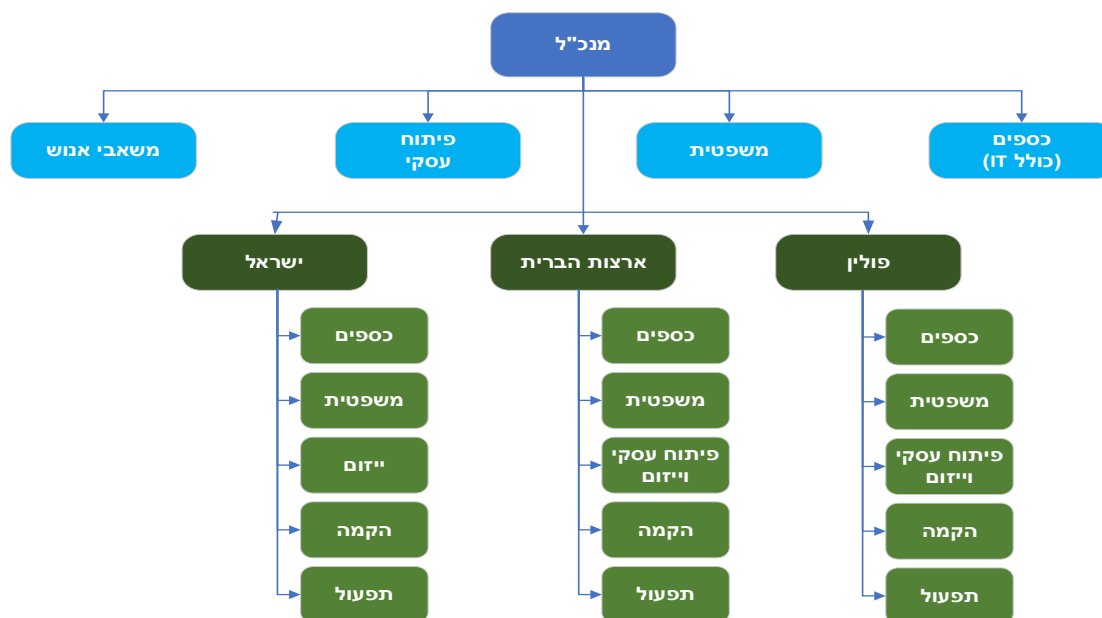
As of the Approval Date of the Report, the Company holds the following registered trademarks:

trademark	Country of registration	Application date	Expiration date	Trademark number
	Israel	7.10.2021	7.10.2031	344044
ENERGIX	Israel	7.10.2021	7.10.2031	344043

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		
Finance (including IT)	Legal		Business development	Human resources
	Poland	United States	Israel	
	Finance	Finance	Finance	
	Legal	Legal	Legal	
	Business development and initiation	Business development and initiation	Business development and initiation	
	Construction	Construction	Construction	
	Operation	Operation	Operation	

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, 140 employees, as compared with 84 employees as of the Reporting Date last year, and expects to have around 200 employees by the end of 2022. All employees receive training which is sufficient for the purpose of fulfilling their responsibilities, with 20 of the employees being employed in a Polish subsidiary which is wholly owned by the Company, and 44 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 May 1, 2021, Mr. Ariel Yotzer began serving as an officer in the Company, in the position of Senior VP - Israel Operations Manager.

- On June 1, 2022, Ms. Tanya Friedman will begin serving as the Company's Acting CFO, instead of Mr. Nevo Brenner, who announced his intention to conclude his employment in the Company on May 31, 2022.

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 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 July 30, 2019, the Company's general meeting approved a compensation policy for the Company's officers (hereinafter: the "**Current Compensation Policy**"). For details, see the immediate report regarding the convention of the general meeting dated June 24, 2019 (reference number 2019-01-062929), 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 3 options plans in effect, by virtue of which options were granted, or can be granted, to employees 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**"):

- 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 weighted average of the Company's 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.

The amendments to the 2014 plan included giving the possibility to exercise options through a "net exercise" mechanism, according to the formula 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 resolved to amend the plan, by increasing the number of options which can be allocated by virtue of the 2014 plan, 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.** 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, and including grants subsequent to the Reporting Date, 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 and in the Wind Energy 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, 2021, 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, which the Company performed during the Reporting Period, 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 after the Reporting Date, 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 material agreements for the provision of a credit facility, 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 2021 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 485 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 220 million), see Note 14c in Part C of the Report - Financial Statements.
- (4) For details regarding negotiations which the Company is conducting towards the receipt of construction financing for the Clean Wind Energy Project, in the amount of up to NIS 680 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 7.1c(2)(d) 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.
- (8) The Company has a shelf prospectus dated May 29, 2019, by virtue of which the Company raised capital through an issuance of shares and bonds during the Reporting Period, as specified below, which is in effect until May 28, 2022. The Company intends to work towards the submission of a

new shelf prospectus, which will enter into effect beginning from the expiration date of the current shelf prospectus.

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 23 years 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:

Environmental considerations which pertain to the Company's activity in the Photovoltaic Segment in Israel 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 this regard, 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.

Panel recycling: 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'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.

On all matters pertaining to the Company's activity in the United States, the Company's projects are subject to environmental laws on the local and state levels, the majority of which are generally managed by the department of environmental quality in the relevant state. A condition for the receipt of the required permits for the construction of the projects 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.

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.

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 with respect to 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 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 February 23, 2020, 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.

Since November 26, 2019, Alony Hetz has been a company without a control core, and therefore, from that date onwards, the Company ceased being a "second tier company", as this term is defined in the Concentration Law.

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 external financing transactions for the Company's projects, see 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 an agreement for the acquisition of a series of initiated projects in the photovoltaic and energy storage segment in the United States - the NCRE transaction, see Notes 9 and 15 in Part C - 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. 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 works with the assistance of the Company's Information Systems Administrator, Chief Information Security Officer (CISO), and other external professional consultants, from time to time, to protect its various systems against cyber attacks, and to maintain rapid recovery capabilities in case of an attack, while also frequently updating the various means, in accordance with the latest technological developments.

During the Reporting Period, the Company worked on strengthening the resilience of the Company's information security infrastructure, including, inter alia, the implementation of a system to identify and respond to cybersecurity incidents, a 24/7 monitoring and alert service, a two-stage authentication mechanism for remote access to the Company's systems and to email, a malware detection solution, and a system for identifying and preventing phishing attempts. However, it is clarified that there can be no certainty regarding the Company's ability to completely prevent cyber attacks. Additionally, 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(2)(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 a goal for itself of being a global green power producer and an active participant and leader in the green energy revolution, while focusing on fields of activity involving the production of electricity from photovoltaic and wind energy and energy storage in Israel and abroad. During the Reporting Period, the Company continued its activities in accordance with the strategic plan which it adopted in 2020. The plan, which included an evaluation of the Company's operating results and various alternatives for focusing its future activities, is based on a significant increase in the Company's activity with extensive international operation, with an emphasis on expanding the activities in the United States, and maintaining the Company's two operating anchors in Israel and in Poland. Due to the significant increase in the Company's series of initiated projects, mostly in the United States, and the projected development of the Company's operating markets, shortly before the Approval Date of the Report the Company's Board of Directors resolved to revise upwards the Company's strategic goals for 2025. As part of the plan, the Company emphasizes significantly increasing its electricity production capacity, while maintaining adequate returns and a prudent risk level.

The strategy for the coming years will be based on the continued development of the existing markets and additional expansion in the United States, while strengthening capabilities and infrastructure, to support the growth of the Company's activity.

As part of the above, **in the United States** the Company intends to work on continuing to develop the activity in the Virginia region, while expanding the 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; **In Poland**, the Company's activity will be

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 and Storage Segments. The Company also intends to work intensively in the Photovoltaic Segment in Poland: The Company views the Storage Segment as another significant growth engine, both as projects integrated into renewable energy production projects, and as standalone storage projects.

The Company revised upwards the goals of the strategic plan which was adopted in 2020, such that the total capacity of its commercially active systems (including partially connected projects) in 2025 is expected to amount to approximately 4.3GW, an increase of approximately 34%. Meeting this goal is expected to generate revenue at a total scope of over NIS 1.5 billion per year, and an EBITDA of around 80%. For this purpose, the Company is expected to require investments in an estimated scope of approximately NIS 12 billion, which the Company intends to finance using external sources and its own sources.

In light of the massive growth which is expected in the United States, and requests which the Company has received to evaluate investment and collaborations from financial investors and leading private equity investment funds in Israel and in the United States, the Company engaged with one of the world's leading international consulting companies to conduct a strategic evaluation of the optimal structure to maximize the value of the Company's activity in the United States, and to support the activity's financing needs, including evaluating the possibility of adding a strategic partner, various alternatives to raise financing, etc.

For details regarding the Company's forecasts for the full operating year, based on its current portfolio of commercially active projects, projects under construction, in pre-construction, and in advanced stages of initiation, see Section 3.4 in Part B of the Report - Board of Directors' Report.

The information presented above constitutes Forward-Looking Information.

29. Anticipated developments in the coming year

In 2022 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 this will be done while completing internal processes which are required in order to adjust the organizational infrastructure and divide the resources which the Company has at its disposal, in order to address its needs in each territory, and adjusting the Company to the current and anticipated scope of activity as a global company.

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. As part of the above, the Company is expected to begin, in 2022, construction works on projects with a capacity of over 700MW, 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 believes that the activity momentum in recent years is expected to lead to a significant increase of approximately 50% in operating results.

Additionally, during the coming year the Company intends to commence the construction of the Company's first project in the Photovoltaic Segment in Poland, and to continue the expansion of its

operating base in the United States into states neighboring Virginia, or other target states. 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 2021, it intends to continue emphasizing these considerations as an integral part of its operating activities, in accordance with long term goals which will be evaluated by the Company.

The Company's stable capital structure (revenue, capital and bond raisings in 2021, 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.

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

32.1 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 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. Increases in input costs

Increases in input costs (including the prices of photovoltaic panels, trackers, storage components and wind turbines) may affect increases in the prices of raw materials which are used in the production of the Company's systems, and as a result, the price at which the Company acquired its systems from manufacturers and suppliers. Any such change may affect the Company's future cash flows, and may affect the economic profitability of the acquisition and construction of the systems, or their components.

C. Exposure to changes in interest rates

As of the Reporting Date, the Group's financing agreements in Israel are at fixed interest rates (CPI-linked), which are determined on the date the financing is accepted. The Group's financing agreements in Poland are at variable interest (linked to changes in the Wibor 6M), regarding which the Group has engaged in interest cap option hedge transactions, to hedge against interest rate increases in Poland. Changes to the interest rate in Poland may affect, including materially, the amount of the Company's interest payments in Poland (in connection with the unhedged part of the financing). Additionally, interest rate changes in the economy and around the world may affect the prices of credit to finance future projects in the Photovoltaic, Wind Energy and Storage Segments, and may affect the economic profitability of the acquisition and construction of additional systems.

D. 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 is 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, most of the Group's external financing in respect of the projects in Israel is CPI-linked.

E. Cybersecurity risks

Cyber attacks on the networks of the Company's commercially active production facilities (wind turbines and photovoltaic facilities) could adversely affect their production capacity. 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 cybersecurity professionals. In parallel, the Company works in an orderly and fully transparent manner vis-à-vis the cybersecurity unit at the Ministry of Energy.

F. Global changes to the supply chain, shipping costs and consequences of the coronavirus pandemic

The state of the global economy and the state of markets in Israel, the United States and Europe may affect the Company's share price, and its ability to raise capital and debt to finance its activity. Additionally, significant global changes, 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. For details regarding the impact of the coronavirus pandemic, see Section 6.3 above.

32.2 **Branch-specific risk factors:**

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

Non-receipt of licenses for the production of photovoltaic or wind energy or energy storage by the Company and/or the exhaustion of quotas for the acquisition of photovoltaic or wind energy or energy storage in the Company's operating environment, and non-winning of relevant tariff tenders, could have a negative impact on the Company's achievement of its targets, in respect of the performance of additional investments in its operating segments in Israel and abroad. Additionally, as of the Approval Date of the Report, most of the Company's activity in Israel 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.

B. **Dependence on approval of plans and receipt of a 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.

C. **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.

D. **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, is 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.

E. 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.

F. 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.

G. 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.

H. Environmental considerations

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

I. Changes to the tariff per KWh which is sold to the Electric Corporation

Further to that stated in Section 7.1b(2) above, regarding the arrangement in the Wind Segment in Israel, as of the Approval Date of the Report, the Electricity Authority is working to link the tariffs for the acquisition of electricity, in respect of projects which have not yet been connected, to calculation formulas which are based on different variables, including the Bloomberg Index for the estimated construction costs of renewable energy facilities around the world, changes to the USD and EUR exchange rates, and the Consumer Price Index. Due to the fact that there is uncertainty regarding the question of whether the tariff which will be determined will indeed correctly reflect the construction costs of facilities and the economic variables, any future change in the tariff amount will affect the Company's flows from the wind facilities which will be installed, the profitability of entering into new projects in the Wind Segment, and its ability to service its liabilities towards financing entities. Additionally, the Electricity Authority may change the policy regarding the determination of tariffs for the acquisition of electricity in respect of the connected facilities. It is noted that, in respect of the tariff regarding income from electricity for systems which were connected to the power grid, or which have already been given fixed tariff approvals, the Company believes that there is low exposure to the possibility that changes will be implemented to them retroactively.

J. Changes in the prices of electricity and green certificates in Poland and the United States

(1) Poland

- The electricity prices in Poland are determined based on the trading on the electricity stock exchange, and are affected by the supply and demand for electricity in Poland. The Company's revenue from the sale of electricity in Poland is based on the prices of electricity on the power exchange, and accordingly, a decrease in such prices would reduce the cash flow income from the Company's projects in Poland.
- 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.

(2) 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.

(3) Transactions involving hedging / pegging 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.

K. 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.

L. 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.

M. Changes in the regulatory environment

The Company's activities in the various territories are subject to the local regulatory frameworks and to the various arrangements, insofar as any apply, in each territory. Furthermore, due to the fact that the renewable energy sector is a developing sector around the world, the regulation in the sector is constantly evolving. Regulatory changes could affect the realization of the Company's strategic plan, and its revenues.

- (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, the IEC, and various conditions which the Company is required to meet in order to receive the licenses for the construction of renewable energy facilities.
- (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 effect on the Company's activity. For additional details regarding the regulatory environment in Poland, 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, 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:

A. Non-fulfillment of construction timetables by contractors

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.

B. 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 from the competent entity (distribution and transmission companies, system managers, etc.). Not only do these processes usually involve the provision of guarantees in significant amounts, they also involve an element of uncertainty regarding the connection date, which is out of the Company's control. Insofar as the competent entity is unable to connect the Company's facilities to the grid, in most cases the facility's commercial operation is postponed, and accordingly, the Company's revenue forecast may not materialize. Furthermore, in case of inability to connect to the grid, the Company may be exposed to the loss of funds which it has paid, or of the guarantees which it has provided, in respect of the connection cost.

C. 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 the construction of the systems. There is also a risk that one of the partners will encounter difficulties of various kinds, which could affect the Company's and the partner's joint activity.

D. 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 relevant in Israel, due to its size, and therefore, the Company's inability to identify suitable available land for the construction of the Company's facilities could affect the Company's ability to expand its activities.

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
Macro-economic risk factors			
Exchange rate	X		
Increase in input prices		X	
Exposure to changes in interest rates		X	
Exposure to changes in the index			X
Cybersecurity risks		X	
State of the economy, global changes and consequences of the coronavirus pandemic	X		
Branch-specific risk factors			
Non-receipt of licenses, quotas, and winning of tariff tenders or quotas	X		
Dependence on approval of plans and receipt of a permits and authorizations	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
Non-fulfillment of construction timetables by contractors		X	
Changes in the tariff per KWh sold to the IEC		X	
Changes in the prices of electricity and green certificates in Poland and the United States	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		
Risk factors which are unique to the Company			
Non-fulfillment of construction timetables by contractors		X	
Competition over grid resources		X	
Activity with partners		X	
Absence of available land		X	

33. Details regarding material subsidiaries and related companies

33.1. Investments in subsidiaries and related companies as of December 31, 2021

For details regarding the investments in subsidiaries and related companies, see Regulation 11 in Part D - Additional Details, and Note 11 in Part C of the Report - Financial Statements.

33.2. Income of subsidiaries and related companies, and the Corporation's income therefrom, in 2021 (NIS in thousands)

For details regarding the investments in subsidiaries and related companies, see Regulations 12 and 13 in Part D - Additional Details.

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, 2021 (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 appearing 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.⁴¹ (“**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.

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 approximately 600MW in commercially active projects, approximately 665MW in projects under construction or in pre-construction, approximately 860MW in projects in advanced stages of initiation, and approximately 6GW in projects in the initiation stages. The Company also has a series of initiated projects in the Storage Segment with a capacity of 7GWh. For details and definitions regarding the classification of the projects which are owned by the Company by development stages, see Section 3.1 below.

It is clarified, for purposes of convenience of the disclosure below in the board of directors' report, that in case of a series of projects which are presented together by the Company, some of which are commercially active, while others are under construction, the Company may refer to such projects as “**partially completed and/or partially connected projects**”.

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.

⁴¹ 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.
- For details regarding the potential impact of the coronavirus outbreak on the Company's activity, see Section 6.2 in Part A of the Report - Description of the Corporation's Business.

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:⁴²

2.1. Operating results and forecasts:

- Upwards revision of the Company's goals for 2025: The Company revised upwards the goals of the strategic plan which was adopted in 2020, such that the total capacity of its commercially active systems (including projects approaching conclusion of construction) in 2025 is expected to amount to approximately 4.3GW, an increase of approximately 34%. Meeting this goal is expected to generate revenue at a total scope of over NIS 1.5 billion per year, representing an EBITDA of around 80%. For this purpose, the Company is expected to require investments in an estimated scope of approximately NIS 12 billion, which the Company intends to finance using external sources and its own sources.
- **In light of the massive growth which is expected in the United States, and requests which the Company has received to evaluate investment and collaborations, which the Company received from financial investors and leading private equity funds in Israel and in the United States - The Company engaged with one of the world's leading international consulting companies to conduct a strategic evaluation of the various alternatives for the optimal structure for the Company's activity in the United States, in order to maximize the value of the Company's activity in the United States for the Company, and to support this activity's financing needs, including evaluating the possibility of adding a strategic partner, various alternatives to raise financing, etc.**

⁴² Includes Forward-Looking Information.

- **Projected results from the series of mature projects⁴³ at the end of 2023:** The Company estimates that the projected revenues, per full operating year, from the entire series of mature projects, will amount to NIS 895-935 million; gross profit expected from the projects is estimated at NIS 700-740 million, and FFO from projects is expected to amount to NIS 570-610 million - growth of over 300% in all parameters, relative to the Reporting Date. The Company projects that the series of mature projects as of the Approval Date of the Report will reach full commercial operation by the end of 2023.
- **Upwards revision of 2022 forecasts:** The Company revised upwards its projected operating results for 2022, relative to the results which were published in its annual reports for 2020. Projected results for 2022 include the actual results of January-February 2022 (until the Approval Date of the Report), which reflect a significant increase in revenue during the period, in light of exceptionally positive wind conditions in Poland. For details, see Section 3.5 below.
- **Main operating results during the Reporting Period:** In 2021 the Company recorded revenue in the amount of approximately NIS 267 million. Net profit attributable to Company shareholders in 2021 amounted to a total of approximately NIS 79 million.
- **Significant increase in the Company's overall series of projects:** During the Reporting Period and until the Approval Date of the Report, the Company more than doubled its overall series of projects in all of its operating territories, from 3GW to around 8GW. For additional information, see Section 3 below and Notes 9 and 15 in Part C of the Report - Financial Statements.
- **Expansion of the strategic collaboration with First Solar:** On January 7, 2022, the Company entered into an additional significant agreement 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 these panels was intended to guarantee an orderly supply of panels for the Company until 2025, at attractive prices, and the Company believes that the terms of engagement, both in and of themselves, and à fortiori in light of the expected legislative updates in the United States, which will benefit local production, will create a relative advantage for the Company in the photovoltaic market in the United States. For additional details, see the Company's immediate report dated January 9, 2022 (reference number: 2022-01-004456), which is presented herein, in its entirety, by way of reference.
- **The Company's activity in the Storage Segment:** Given that the energy storage segment is expected to constitute a major component of the renewable energy market in the Company's three operating territories, Energix views the Storage Segment as a significant growth engine. Accordingly, the Company intends to continue developing its activity in this segment, both in combination with its renewable energy production facilities, and as standalone storage facilities. During the Reporting Period and until the Approval Date of the Report, the Company increased its series of projects in the Storage Segment in the initiation stage to a total capacity of approximately 7GWh, including as part of the NCRE transaction.

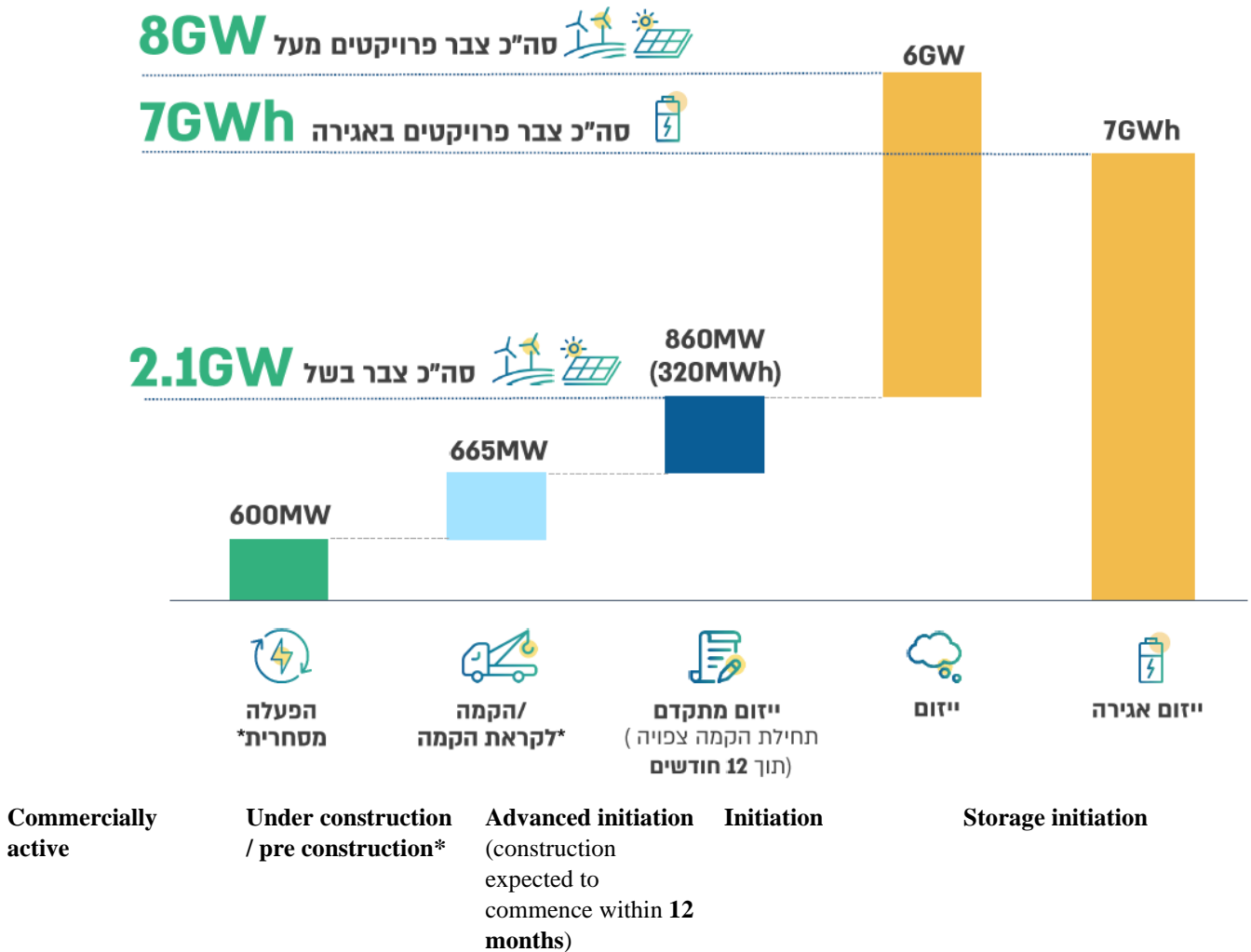
⁴³ Projects which are currently commercially active, under construction / in pre-construction, or in advanced stages of initiation.

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

Total series of projects above 8GW – wind and solar

Total series of storage projects – 7GWh

Total series of mature projects – wind and solar - 2.1GW



2.2. The Company as a leading player in the Photovoltaic Segment in Israel, and the development of a series of projects in the Storage Segment:

- Construction of high voltage projects with a total capacity of approximately 137MWp:** As of the Approval Date of the Report, the Company has completed the construction of 16 of the 17 facilities which are being built as part of its winning of competitive process 3 and competitive process 4. As of the publication date of the report, approximately 66MWp out of that quota has commenced commercial operation. For additional information, see Section 3.1 below and Notes 9 and 14c in Part C - Financial Statements.
- Ultra-high voltage project with a capacity of approximately 90MWp in advanced stages of initiation:** The Company is working on the promotion and development of a national infrastructure project with a capacity of approximately 90MWp, as a national infrastructure project within the framework of a quota which the Company won (through the Israel Joint

Venture) by virtue of the competitive process for ultra-high voltage facilities which was published by the Electricity Authority. As of the Approval Date of the Report, the plan has been approved by the National Infrastructure Committee, and has been presented for public comments and objections. The Company is continuing to work on promoting the project vis-à-vis the National Infrastructure Committee and the Electric Corporation, and by purchasing main equipment, in order to reach readiness for the project's construction in 2022. For additional information, see Section 3.1 below and Note 9 in Part C - Financial Statements.

- **Preparation for the development and construction of projects with a capacity of 180-200MWp, as part of winning a tender for PV including storage:** The Company is in advanced stages of initiation of 15-20 projects for construction, as part of its win in this tender.
- **Intensive work on increasing the series of initiated projects in the Photovoltaic Segment, in the Wind Segment and in the Storage Segment:** During the Reporting Period, and as of the Approval Date of the Report, the Company worked on increasing its series of owned projects in initiation stages, including through projects under dual use arrangements, or projects for the construction of standalone storage facilities. As of the Approval Date of the Report, the Company has initiated projects in the Photovoltaic Segment, the Wind Segment and storage segment with a capacity of 610MW and 500MWh, respectively. For additional information, see Section 3.1 below and Notes 9, 14 and 15a(1) in Part C - Financial Statements.
- **Sale of the Company's share in Granot Partnership (the Company's share: 1.7MWp)** - On February 9, 2022, a transaction was closed which involved the sale of all of the Company's interests in Granot Energix Solar Projects Limited Partnership (the Company's share: 50%) to Meshek Energy Renewable Energies Ltd. (hereinafter: "**Meshek Energy**"). As part of the above, the Company sold its share in 5 commercially active photovoltaic systems on rooftops, with a total capacity of 3.4MWp, in consideration of approximately NIS 25.4 million. Due to the transaction, the Company expects to recognize profit of approximately NIS 18 million (before tax) in its reports for the first quarter of 2022. For additional details, see Note 9b(1)(b)(1) in Part C - Financial Statements.
- **Sale of Meitarim project (the Company's share: 2.5 MWp)** - On June 3, 2021, the transaction involving the sale of all of the Company's interests in Energix A.H. South Har Hevron Partnership (the Company's share: 50.1%) to Meshek Energy was closed. As part of the above, the Company sold its share in a commercially active onshore photovoltaic system with a total capacity of 5MWp (the Company's share: 2.5MWp), in consideration of approximately NIS 8 million. as a result of the above, the Company recorded profit after tax in the amount of approximately NIS 9 million. For additional details, see Note 9(B)(1)(4)(4) in Part C - Financial Statements.
- **Receipt of electricity provider license:** In light of the Company's intention of developing its activity based on a long term perspective of developing and advancing the electricity market in Israel into a sophisticated market, and positioning the Company as a producer providing green energy, in July 2021, the Company received a provider license. The provider license was given through the Electricity Authority's arrangement for opening up the provision segment in the electricity sector, and gives the Company the right to sell electricity directly to private consumers. As of the Approval Date of the Report, the Company has begun selling electricity to end consumers by virtual means, in negligible scopes. For additional details, see Section 7.4 in Part

A - Description of the Corporation's Business, and Note 25b(1) in Part C of the Report - Financial Statements.

For additional details regarding the Company's activities in the Photovoltaic Segment, including initiated projects, the applicable financing transactions, the activities of the Joint Venture and the terms of the new arrangement, see Section 3.1 below, Section 7.1b in Part A of the Report - Description of the Corporation's Business, and Notes 9, 14 and 15a(1) in Part C of the Report - Financial Statements.

2.3. The Company's activity in the Wind Energy Segment in Israel - Clean Wind Energy Project:

- As of the publication date of the report, the Company has received a building permit for the project, and is preparing for financial closing and the commencement of construction, which is expected in the first half of 2022. As part of the above, the Company engaged with one of the world's leading turbine providers to purchase turbines for the project, which is also expected to provide operating services for the project over a period of 20 years. The Company has also signed agreements for the land solution and for clearing land mines vis-à-vis the Ministry of Defense. The Company is currently in negotiations towards the signing of a financing agreement in the amount of up to NIS 680 million (including an option to the financing amount at a later stage). For additional details regarding the project, including in connection with legal proceedings involving the project, see Sections 7.2c in Part A - Description of the Corporation's Business, and Notes 9b(4) and 15b(1) in Part C of the Report - Financial Statements.

2.4. The Company's activity in the Photovoltaic Segment and in the Storage Segment in the United States, and continued substantiation of its position as a key player in the operating regions:

- **Growth of the Company's series of mature projects in the United States:** As part of the Company's significant growth in the United States, during the Reporting Period and until the Approval Date of the Financial Statements, the Company's series of projects which are commercially active, under construction, in pre-construction and in advanced stages of initiation, grew by a cumulative total of approximately 450MWp. For details regarding the Company's series of mature projects as of the Approval Date of the Report, and the Company's relevant engagements, including the acquisition of projects and engagement with a tax partner, see Section 3.1 below, Section 7(1)c in Part A - Description of the Corporation's Business, and Notes 9b(2) and 15a(2) in Part C - Financial Statements, respectively.
- **Significant expansion of the series of initiated projects in the United States with a capacity of approximately 4GWp and approximately 6.4GWh:**

A. Acquisition of a series of PV and storage projects with a capacity of approximately 1.8GWp and 1,680MWh:

In August 2021 the Company purchased, through an American subsidiary (100%), all of the ownership rights to the American company NCRE, an entrepreneurial company in the solar energy and energy storage segment in the United States (the "NCRE Transaction"). The initiation activity of NCRE, which mostly takes place in Virginia and in other adjacent states, corresponds to, and is fully synergistic with, the Company's operating targets and strategy in the United States.

As part of the NCRE transaction the Company acquired, in consideration of a total of USD 24 million, a significant series of projects which included initiated projects in the Photovoltaic Segment with a capacity of approximately 1.8 GWp; initiated projects in the energy storage segment with a capacity of approximately 1,680 MWh; and additional interests which matured, after the acquisition of NCRE, into initiated projects in the photovoltaic and Energy Storage Segment, with significant capacities (see Section B below).

B. Massive expansion of the series of PV and storage projects in initiation stages in the United States

During the second half of 2021 and until the Approval Date of the Report, the Company worked on significantly increasing its series of projects in initiation stages in the United States, and especially the interests which were acquired in the NCRE transaction. As of the Approval Date of the Report, the total scope the Company's projects in initiation stages in the United States amounted to approximately 5GWp in the Photovoltaic Segment and approximately 6.4GWh in the Storage Segment, as compared with 1GWp in the Photovoltaic Segment last year. The Company estimates that at least half of the series of initiated projects in the Photovoltaic Segment in the United States will reach construction in the coming years, with a total estimated investment of around USD 2.5 billion.

For additional details, see Section 3.1 below, Section 7.1c in Part A - Description of the Corporation's Business, and Notes 9b(2) and 15a(2) in Part C of the Report - Financial Statements.

2.5. The Company's activity in Poland:

- The Company's activity in Poland is significantly affected by the continued upwards trend of electricity prices in Poland, which increased during the Reporting Period by over 100%. In light of the above, and as part of the Company's policy of working to peg electricity prices, the Company continued engaging in fixed price transactions for the years 2023-2024, at increasing prices over the years. As of the Approval Date of the Report, the Company has transactions to peg the price of electricity in significant scopes, in respect of the expected production during the years 2022-2024. The prices which were pegged in respect of those transactions, plus the revenues from the expected acceleration of the timetable for connecting the wind farms in Poland, will be reflected in the Company's revenues beginning in 2022.
- **Construction and financing of two wind farm projects in Poland with a total capacity of approximately 126MW:** As of the Approval Date of the Report, the Company is approaching the completion of construction works on the two wind farms, including acceleration of the timetables, following the completed construction of 55 of the 57 turbines, and the connection to the power grid, and commenced revenue generation, of 23 turbines. Each of the wind farms is entitled to a guaranteed tariff in respect of a part of the capacity which will be produced in the project, and the remainder will be sold by the Company at market prices, or in fixed price transactions. Additionally, during the Reporting Period the Company entered into an agreement for the receipt of financing for the construction of two wind farms in the total amount of up to PLN 550 million.
- **Construction and financing of the Banie 4 project, with a capacity of approximately 56MW:** As of the Approval Date of the Report, the Company is currently executing the construction works of the Banie 4 wind farm, which it wholly owns. The project is entitled to a guaranteed tariff in

respect of part of the capacity which will be produced, and the remainder will be sold by the Company at market prices or in fixed price transactions. Shortly before the Approval Date of the Report, the Company signed a non-recourse financing agreement with EBRD and Mbank, for the receipt of financing for the construction of the wind farms, in the total amount of up to PLN 290 million.

- **Preparation for construction of the first photovoltaic project in Poland:** In light of the Company's intention of significantly developing its scopes of activity in the Photovoltaic Segment in Poland, the Company is preparing, and completing all necessary steps, for the commencement of construction works of the first project in the Photovoltaic Segment in Poland, with a capacity of approximately 12MWp.
- **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 worked on expanding the series of projects in initiation and development stages in Poland, both independently (100%) and by purchasing projects from third parties. As of the Approval Date of the Report, the Company has a series of projects in advanced stages of initiation and in initiation with a capacity of 430MW, which are expected to serve the Company in the continued growth and expansion of its activity in Poland.
- **Development of a series of projects in the Storage Segment:** As part of the Company's activity in the Storage Segment, during the Reporting Period and until the Approval Date of the Report, the Company worked on building a series of projects in the Storage Segment, which are expected to be integrated alongside the Company's renewable energy production facilities, and as standalone storage facilities in Poland. As of the Approval Date of the Report, the Company has initiated energy storage projects with a capacity of approximately 50MWh.

For additional details regarding the Company's activity in the Wind Energy Segment in Poland, see Section 3.1 below, Section 7.2d in Part A - Description of the Corporation's Business, and Notes 9b(3) and 15b(2) in Part C of the Report - Financial Statements.

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

- **Issuance of bonds:** In November 2021, the Company issued bonds (Series A) and convertible bonds (Series B) by way of a series extension, in the total amount of NIS 309 million par value, for a gross consideration.
- **Raising capital from the public:** After the Reporting Date, the Company completed capital raising rounds through the publication of a shelf offering report in a cumulative total of approximately NIS 336 million, gross. For additional information, 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.

Information which was included in sections 2.1-2.6 above, regarding the Company's future development and forecasts, constitutes Forward-Looking Information, as defined in this report.

2.7. Dividend policy for Q1 2022: Shortly after the approval of the Financial Statements, the Company announced a dividend distribution for the first quarter, in the amount of 5 agorot per share. For additional details, including the Company's announcement regarding the dividend policy for 2022, see Section 4 in Part A of the Report - Description of the Corporation's Business.

2.8. 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 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.

The Company published its first corporate responsibility report in mid-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. Energix chose, based on the belief in its values and in the Company's vision, to present the data from the report by distribution into the Company's core values: long term perspective, creativity, transparency, excellence and fighting spirit.

Presented below are the Company's main achievements:

- (i) **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, and carbon and waste production. Energix, as a green energy producer, not only contributes to the environment thanks to the production of clean electricity and avoiding coal, it also contributes as follows: **greenhouse gas emissions and reduction of air pollution** - in 2020, 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 497,348 tons of greenhouse gases, and 959 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. Energix has saved 38,742 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: by building pathways for the movement of animals, by using various advanced technologies to monitor animal activity, and more.
- (iv) **Reducing the carbon footprint** - The Company has strategic collaborations with leading producers in the United States and Europe. These producers operate in accordance with the most advanced environmental standards, and thereby help reduce the Company's carbon footprint throughout the projects' entire value chain.
- **Community and society (S) -**
 - (v) **Strengthening local economies** - The Company places a great deal of importance on promoting the local economies in its operating regions around the world, including by

employing locals. Accordingly, over 95% of the Company's work contractors are local suppliers.

- (vi) **Investment in the community** - The Company places a great deal of importance on working for the communities where its projects are built, and investing in them. The Company has adopted a social project investment policy, as part of the projects we are developing and building, as well as a general donations policy. During 2020 we invested significantly in public infrastructure and in various educational plans. The Company's total scope of donations is at the upper standard level.
- (vii) **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.
- **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 in the following:
 - (viii) **Equal opportunity employment** - The Company works intensively to create an environment of equal opportunity in the Company. As of the end of 2020, around 33% of the Board members are women, and around 40% of global management are women.
 - (ix) **Board independence** - 50% of the Board members are independent directors.
 - (x) **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 2021, the Company intends to map out and adopt long term ESG goals, in order to work on continuous improvement, and later on, to work on entering the relevant indices in this area.

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 this report. 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 such information may differ significantly from those expressed or implied in such Forward-Looking Information (in whole or in part).

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	Project	Technology	capacity	Date of commercial operation	Revenue source	Tariff for the sale of electricity and certificates per produced 1KWh (in NIS)	Original construction cost	Total financing / liability towards the Tax Partner in respect of the project	Balance of the loan / liability towards the Tax Partner in the Financial Statements	Project results for 2021				Company's share in the project
										Revenues	Gross profit	FFO	Net cash flows after debt service	
Israel	Neot Hovav	Photovoltaic	37.5MWp	12/2014	CPI-linked tariff for 20 years	0.663	292 (2)	370	242	45.1	41.5	33.2	10.0	100%
	Systems of the first competitive process	Photovoltaic	90MWp	4th quarter of 2018	CPI-linked tariff for 23 years	0.207	276	240	213	31.6	22.3	16.0	4.8	97%
	Systems of the second competitive process	Photovoltaic	62MWp	Second half of 2019 and 1st quarter of 2020	CPI-linked tariff for 23 years	0.204	202	190	180	21.0	14.7	10.0	2.5	70%. Share in results and in net cash flows - 91% (4)
	Project systems 1 (3)	Photovoltaic	3.2MWp	2010-2011	CPI-linked tariff for 20 years	0.95-2.23	59	95	23	10.7	8.8	7.1	1.7	100%
USA	Virginia Projects 1 (1)	Photovoltaic	82MWp	2nd and 3rd quarters of 2020	Electricity - Sale to the electric corporation at market prices, in parallel with a 12 year hedging transaction.		361	165	109	18.7	14.6	14.6	10.9	58%. Share in results and in net cash flows - 100%
Poland	Banie 1+2	Wind	106MW	12/2015-06/2016	Electricity - sale at market prices or in accordance with price pegging agreements. Green certificates - sale at market prices or through price pegging agreements		687	-	-	112.5	93.1	93.1	93.4	100%
	Hawa	Wind	13.2MW	06/2016			82	-	-	15.5	13.6	13.6	13.6	100%
Total in this table			394				1,959	1,060	767	255	209	188	137	
Total in the table of partially completed projects			208											
Total commercially active			602											

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 agreement vis-à-vis the Tax Partner in the United States (for additional details, see Note 9b(2)(b)b to the Consolidated Financial Statements) determined, inter alia, the rate of cash distribution between the Company and the Tax Partner during a defined period. Accordingly, the Company's share in the net cash flows is presented after the payment of the Tax Partner's share.

- 2) Not including prepaid rent in respect of land, the balance of which, as of the date of construction, amounted to a total of approximately NIS 34.9 million.
- 3) Not including the Granot project (3.4 MWp), the sale of which was completed in February 2022. For details, see Note 9b(1)(b)(1).
- 4) 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.
- 5) Capacity details: Wind - In MW; Photovoltaic - In MWp; Storage - In MWh.

Partially completed and partially connected projects

Country	Project	Technology	Capacity	Revenue source	Tariff for the sale of electricity and certificates per produced 1KWh (in NIS)	Projected construction cost	Total financing / liability towards the Tax Partner in respect of the project	Completed facilities	Facilities which have been connected to the power grid	Commercial operation completion date	Projected project results per representative year of operation				Company's share in the project
											Revenues	Gross profit	FFO	Net cash flows after debt service (3)	
Israel	Third competitive process (2)	Photovoltaic	99MWp	CPI-linked tariff for 23 years	0.186	260-300	Up to 380	13 of 13 (99MWp)	10 of 13 (66MWp)	First half of 2022	32-34	25-27	19-21	7-10	70%. Share in results and in net cash flows - 91% (1)
	Fourth competitive process		38MWp		0.183	100-120		3 of 4 (29MWp)	-	Second half of 2022	12-14	9-11	7-9	3-5	
USA	Virginia Projects 2 (3)	Photovoltaic	142MWp	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 6 year hedging transaction. Green certificates - 12-15 year fixed price sale agreement.		450 - 480	180	4 of 6 (91MWp)	4 of 6 (91MWp)	First half of 2022	32-36	26-30	26-30	20-24	In respect of 117MWp: 100% In respect of 25MWp: 58%. Share in results and in net cash flows - 100% [6]
Poland	Banie Stage 3 (4)	Wind	82MW	During the first 5 years, most of the output will be at market prices (including price hedging transactions). Subsequently, and over a period of 11 years, a CPI-linked fixed tariff		340 - 380	Up to 440	78MW	51MW	First half of 2022	55-61 (5)	44-49	30-34	20-23	100%
	Sepopol	Wind	44MW		180 - 210	44MW		-	First half of 2022	27-32 (5)	22-27	15-19	10-13	100%	
Total in this table			405			1,330-1,490	1,000								
Of which - commercially active projects			208												

Country	Project	Technology	Capacity	Revenue source	Tariff for the sale of electricity and certificates per produced 1KWh (in NIS)	Projected construction cost	Total financing / liability towards the Tax Partner in respect of the project	Completed facilities	Facilities which have been connected to the power grid	Commercial operation completion date	Projected project results per representative year of operation				Company's share in the project
											Revenues	Gross profit	FFO	Net cash flows after debt service (3)	
Of which - projects under construction and in pre-construction			197												

- 1) The Company provides financing to the Israel Venture at interest of 8%-10% per year. 70% of the venture's distributable cash flows are being paid to the Company for the purpose of repaying the financing, and the remaining 30% is being divided between the partners in accordance with their respective shares, until the aforementioned loans have been repaid in full. Subsequently, the distributable cash flows will be distributed between the partners in accordance with their respective shares.
- 2) In 2021, revenues from the winning projects in the third process amounted to a total of approximately NIS 3 million.
- 3) In 2021, revenues from the winning projects in Virginia 2 amounted to a total of approximately NIS 7.4 million.
- 4) In 2021, revenues from the Banie Stage 3 project amounted to a total of approximately NIS 1 million.
- 5) Based on the price average until the end of the arrangement period (around 17 years), whereby during the first years, revenues are expected to be higher than average.
- 6) 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 Consolidated Financial Statements) determined, inter alia, the rate of cash distribution between the Company and the Tax Partner during a defined period. Accordingly, the Company's share in the net cash flows is presented after the payment of the Tax Partner's share.
- 7) The financial data are based on an exchange rate of NIS 3.25 to USD 1, and on an exchange rate of NIS 0.76 to PLN 1.
- 8) Capacity details: Wind - In MW; Photovoltaic - In MWp; Storage - In MWh.

Projects under construction or in 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) [10]	Projected construction cost	Project finance facility / expected tax partner in the United States	Revenue source	Electricity sale tariff per produced 1KWh (in NIS)	Projected date of commercial operation	Cost invested as of the Reporting Date	Projected project results per representative year of operation				Company's share in the project
										Revenues	Gross profit	FFO	Net cash flows after debt service / payment of share of the Tax Partner in the United States	
Poland	Banie Stage 4	Wind	56MW	250 - 280	Up to 215	During the first 3 years, most of the output will be at market prices (including price hedging transactions). Subsequently, and over a period of 13 years, a CPI-linked fixed tariff		Q3, 2022	82	(1) 34-40	28-33	20-24	12-15	100%
	Lubanowo	Photovoltaic	12MWp	30-35	Not yet determined		Sale on the market (including fixed price transactions) and/or CPI-linked tender price	Second half of 2022	-	Around 4	Around 3	Around 3	Around 3	100%
Israel	Clean wind energy	Wind	104MW	650-750	Up to 680	Sale to the Electric Corporation at a fixed, CPI-linked tariff, for 20 years after the date of commercial operation	0.23-0.26 (3)	Second half of 2023	147	80-90	68-72	60-68	28-32	73%. Share in results and in net cash flows - 100% [4]
	Projects under construction in Virginia (VA)	Photovoltaic	185MWp	640-680	275-315	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		Second half of 2022	84	50-55	40-44	40-44	30-34	With respect to 100MWp: 100% In respect of 85MWp: 58%. Share in results and in net cash flows - 100% (2)
United States	Project under construction in Pennsylvania (PA)	Photovoltaic	110MWp	370-410	110-150			Second half of 2023	34	23-28	19-23	19-23	14-18	100%
Total in this table			467	1,940-2,155										
Total in the table of partially completed projects			197											

Country	Project	Technology	Capacity (MW) [10]	Projected construction cost	Project finance facility / expected tax partner in the United States	Revenue source	Electricity sale tariff per produced 1KWh (in NIS)	Projected date of commercial operation	Cost invested as of the Reporting Date	Projected project results per representative year of operation				Company's share in the project
										Revenues	Gross profit	FFO	Net cash flows after debt service / payment of share of the Tax Partner in the United States	
Total under construction and in pre-construction			664											

- 1) Based on the price average until the end of the arrangement period (around 17 years), whereby during the first years, revenues are expected to be higher than average.
- 2) 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 Consolidated Financial Statements) determined, inter alia, the rate of cash distribution between the Company and the Tax Partner during a defined period. Accordingly, the Company's share in the net cash flows is presented after the payment of the Tax Partner's share.
- 3) The electricity sale tariff is based on a tariff in respect of the available quota, in accordance with the Electricity Authority's decision from February 2017, after exhausting the initial quota of 300MW capacity. For details regarding the method of calculating the tariff and linking it to several variables, such as exchange rate, index, etc., see Section 7.2c(2) in Part A of the Annual Report - Description of the Corporation's Business.
- 4) The Company provides financing for the project according to an interest rate of 17% per year. All distributable cash flows are paid first to the Company for the purpose of repaying the financing. After the financing has been repaid in full, the distributable cash flows will be distributed to the owners, in accordance with their respective shares.
- 5) The financial data are based on an exchange rate of NIS 3.25 to USD 1, and on an exchange rate of NIS 0.76 to PLN 1.
- 6) Capacity details: Wind - In MW; Photovoltaic - In MWp; Storage - In MWh.

*** Includes Forward-Looking Information**

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 initiated projects which have won a guaranteed tariff:

Country	Project	Technology	Capacity	Revenue source	Electricity sale tariff per produced 1KWh (in NIS)	Status	Projected date of commercial operation	Projected construction cost	Cost invested as of the Reporting Date	Expected annual revenue from the project	Company's share in the project
Israel	First competitive process for ultra-high voltage systems	Photovoltaic	90MWp	CPI-linked tariff for 23 years	(4) 0.148	The plan has received the approval of the National Infrastructure Committee, and has been presented for objections	First half of 2023	270-310	58	23-25	70%. Share in results and in net cash flows - 91% (1)
	Second competitive process for high voltage systems including storage capabilities	Photovoltaic including storage capabilities	180-200 (Including 320MWh of storage)	CPI-linked tariff until the end of 2045	0.179	In planning and development stages	In 2023	610-650	-	53-57	100%
USA	Projects in advanced stages of initiation in Virginia (VA)	Photovoltaic	500MWp	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 planning and development stages	In 2023	(3) 1,720-1,780	170	132-142	In respect of 434MWp: 100% In respect of 66MWp: 58%. Share in results and in net cash flows - 100% (2)
Poland	Nowa karczwa project	Wind	90MW	Sale on the market (including fixed price transactions) and/or CPI-linked tender price		after the building permit. In the grid connection approval process	Second half of 2023	370-410	-	60-66	100%
Total			860					2,970-3,150			

Board of Directors' Report

- 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) 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.
- 3) The net construction cost after the Tax Partner's investment is expected to amount to NIS 935-975 million.
- 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 KWp.
- 5) The financial data are based on an exchange rate of NIS 3.25 to USD 1, and on an exchange rate of NIS 0.76 to PLN 1.
- 6) Capacity details: Wind - In MW; Photovoltaic - In MWp; Storage - In MWh.

*** Includes Forward-Looking Information**

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
	Wind	110
	Storage	500 MWh
USA	Photovoltaic	5,000
	Storage	6,400 MWh
Poland	Wind	220
	Photovoltaic	120
	Storage	50MWh

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.2 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 7.1.3c 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**

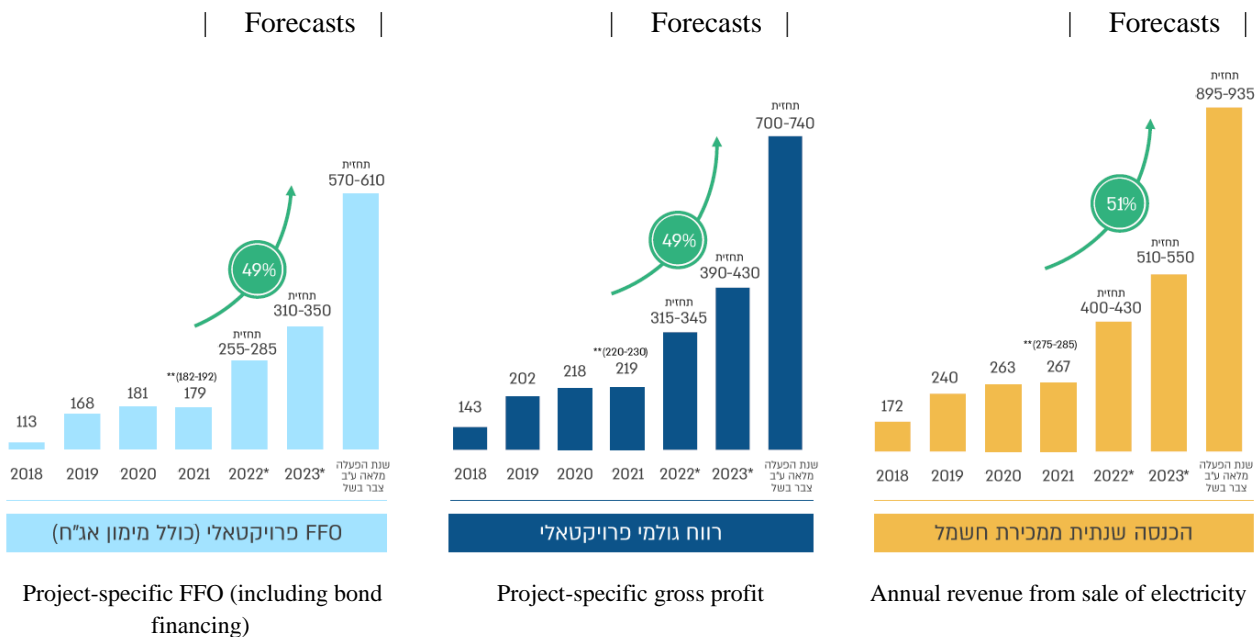
3.3. Development and initiation activity in the Wind Segment:

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

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

For details regarding the Company's activities in Poland, see Section 3.1 above, Section 7.2.4d in Part A of the Report - Description of the Corporation's Business, and Notes 15b and 14b(32) in Part C of the Report - Financial Statements.

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



under construction / in pre-construction, or in advanced stages of initiation). The Company expects that, by the end of 2023, the series of mature projects (as of the present date) will be fully connected.

Clarifications:

- A) Definitions: “**Gross profit from projects**” - profit from projects (excluding general and administrative expenses, and initiation expenses) before financing, taxes, depreciation and amortization. “**FFO from projects**” - Cash flows from the project’s operating activities. Calculated as gross profit from projects less cash flow finance expenses during the period of commercial operation, including cash flow finance expenses with respect to bonds (including cross currency swap transactions with respect thereto).
- B) The Company’s results are presented according to the Company’s share in the cash flow from the projects (effective rate of cash flows, while taking into account senior shareholder’s loans which the Company has given to the project entities), while neutralizing the effect of IFRS 16 - Leases.
- C) Projected data for coming years are in accordance with the Company’s forecast, as of the report approval date, based, inter alia, on the following assumptions:
- 1) Operating results are based on the Company’s 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 with respect to the bonds (Series A and B):
 - 2) Projected results for 2022 include the actual results of January-February 2022 (until the Approval Date of the Report), which reflect a significant increase in revenue during the period, in light of exceptionally positive wind conditions in Poland.
 - 3) Exchange rates which were used to calculate the forecast:
 - PLN 1 to NIS 0.76
 - USD 1 to NIS 3.25
- D) Sensitivity analysis regarding the Company’s projected results for 2022:
 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 2022.

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 2022 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 26 million.
 - A change of 10% in electricity output in the United States would affect the Company’s revenues by approximately NIS 5 million.
 - A change of 10% in electricity output in Israel would affect the Company’s revenues by approximately NIS 13 million.
2. Prices:
 - A change of 10% in the market price of electricity in Poland would affect the Company’s revenues by approximately NIS 11 million.
 - A change of 10% in the market price of green certificates in Poland would affect the Company’s revenues by approximately NIS 2 million.
 - A change of 10% in the market price of electricity in the United States would affect the Company’s revenues by approximately NIS 1 million.
3. Exchange rates:
 - A change of 10% in the PLN/NIS exchange rate would affect the Company’s revenues by approximately NIS 24 million.
 - A change of 10% in the USD/NIS exchange rate would affect the Company’s revenues by approximately NIS 5 million.

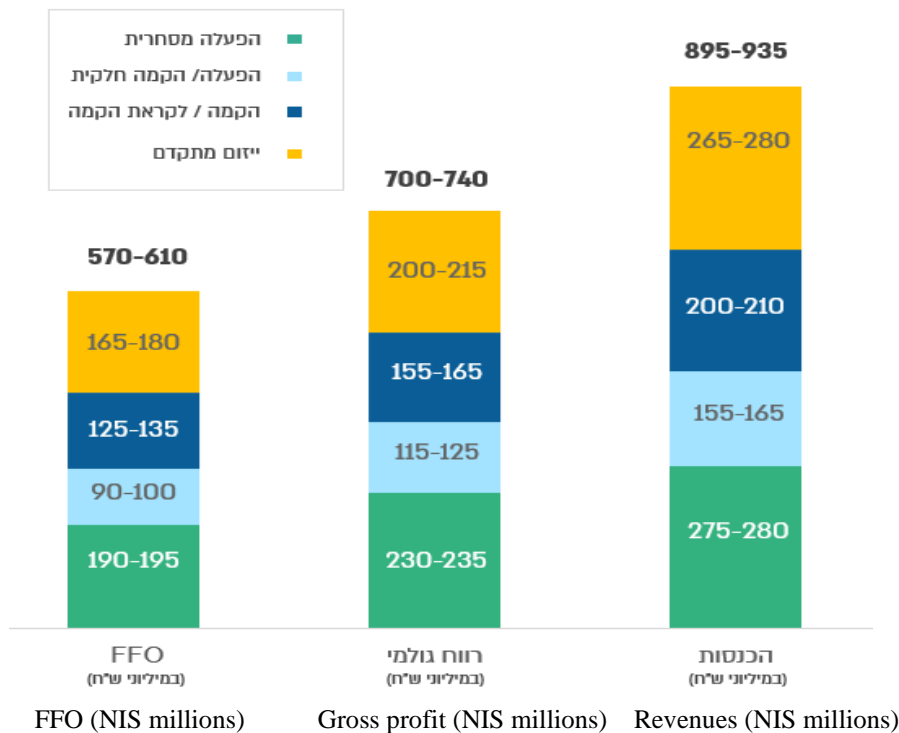
The projected results are also sensitive to the grid connection dates of projects under construction, in pre-construction and in advanced stages of initiation. These connection dates are not under the Company's exclusive control, and depend, inter alia, on the receipt of various permits and regulatory approvals.

The forecasted income, gross profit and FFO data from projects in the years after 2021 constitute Forward-Looking Information, as the term is defined in this report. Actual results may be materially different from those expressed or implied in such Forward-Looking Information (in whole or in part).

3.5. Additional details regarding the projected results of the Company's series of mature projects⁴⁴:

Presented below are the Company's forecasts, as of the Approval Date of the Report, regarding the results of the Company's series of mature projects only⁴⁵ as of the end of 2023, based on a full year of commercial operation (2024):

■ Commercially Active; ■ Partial Operation / Construction; ■ Construction / Pre-Construction; ■ Advanced Initiation



The Company's estimate regarding the construction cost of the Company's series of mature projects amounts to approximately NIS 6,800 million⁴⁶, generating gross profit of NIS 700-740 million - representing a project rate of return (before financing) of over 10%

⁴⁴ In accordance with the Company's share in the projects, including commercially active projects; partially completed and/or partially connected projects; projects under construction and in pre-construction, and projects in advanced stages of initiation, as defined in footnote 3 in Part A of the Report - Description of the Corporation's Business, as they stand as of the Approval Date of the Report.

⁴⁵ For details regarding projects which are commercially active; partially completed and/or partially connected projects; projects under construction or in pre-construction, and projects in advanced stages of initiation, see the tables and the accompanying explanations in section 3.1 of this report, above.

⁴⁶ Less the investment of the Tax Partner in the United States.

Clarifications:

- A) The projected results are presented according to the Company's share in the cash flow from the projects, while neutralizing the effect of IFRS 16 - Leases.
- B) Projected results are calculated based on similar assumptions to those specified in section 3.4 above.

(*) Forward-Looking Information

The forecasted income and gross profit from projects for a full operating year constitute Forward-Looking Information, as the term is defined in this report. It is hereby clarified that there is no certainty regarding the completion of construction of projects under construction or in advanced stages of initiation (including regarding the scope of those projects), and accordingly, actual results may differ significantly from the results which are estimated or implied in such information, in whole or in part.

3.6. 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 and TA - Energy Infrastructures.

4. 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:

	As of December 31 2021 NIS in thousands (Audited)	As of December 31 2020 NIS in thousands (Audited)
Assets		
<u>Current assets</u>		
Cash and cash equivalents	575,110	961,716
Pledged deposit	30,433	643
Trade and other receivables	230,283	92,790
Green certificates	13,926	22,892
Total current assets	849,752	1,078,041
<u>Non-current assets</u>		
Long term pledged deposit and restricted cash	51,223	47,768
Right-of-use asset and fixed assets	302,478	222,127
Connected electricity production systems	1,915,832	1,635,329
Systems under construction and initiation	1,492,651	782,722
Investment in associates and joint ventures	10,429	8,713
Other receivables	116,607	25,600
Deferred tax assets, net	44,083	10,709
Total non-current assets	3,933,303	2,732,968
Total assets	4,783,055	3,811,009
Liabilities and equity		
<u>Current liabilities</u>		
Current maturities of long term loans	61,613	46,006
Current maturities of lease liabilities	9,745	6,508
Current maturities of bonds	74,871	-
Trade and other payables	238,886	216,542
Short term liability in respect of agreement with Tax Partner	86,269	33,540
Total current liabilities	471,384	302,596
<u>Non-current liabilities</u>		
Loans from financial institutions	1,041,650	659,171
Bonds and convertible bonds	1,108,824	874,847
Lease liability and other long-term liabilities	356,027	223,993
Long term liability in respect of agreement with Tax Partner and others	185,405	106,614
Deferred tax liability, net	106,516	56,317
Total non-current liabilities	2,798,422	1,920,942
<u>Equity</u>		
Total equity attributable to the owners of the Company	1,510,963	1,580,296
Non-controlling interests	2,286	7,175
Total equity	1,513,249	1,587,471
Total liabilities and equity	4,783,055	3,811,009

Cash and cash equivalents - As of the Reporting Date, the balance amounted to a total of approximately NIS 575 million, as compared with a total of approximately NIS 962 million as of the

end of 2020, a decrease of approximately NIS 387 million. The decrease was mostly due to investing activities, including the acquisition of NCRE, and investments in the construction of electricity production systems in the United States, Israel and Poland, in the amount of approximately NIS 1,195 million. This decrease was partly offset by cash inflows which arose for the Company from its operating activities, in the amount of approximately NIS 103 million, the extensions of the bonds (Series A) and of the convertible bonds (Series B) which were performed by the Company in November, in the net amount of approximately NIS 308 million, the receipt of loans in Israel and in Poland in the amount of approximately NIS 365 million, and the investment of the tax partner in the United States in Virginia Projects 2, in the amount of approximately NIS 148 million.

Pledged deposit - As of the Reporting Date, the balance amounted to a total of approximately NIS 30 million, as compared with a total of approximately NIS 1 million as of the end of 2020, an increase of approximately NIS 29 million. The increase was due to the depositing of 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 230 million, as compared with a total of approximately NIS 93 million at the end of 2020, an increase of approximately NIS 137 million, mostly due to the increase in the fair value of PLN and USD hedging transactions, due to the rise of the NIS, in the amount of approximately NIS 42 million, and the increase with respect to debit/credit balances of VAT receivable with respect to payments to construction providers in Poland and in Israel, in the amount of approximately NIS 81 million.

Green certificates - As of the Reporting Date, the balance amounted to a total of approximately NIS 14 million, as compared with a total of approximately NIS 23 million as of the end of 2020, a decrease of approximately NIS 9 million.

Connected electricity production systems - As of the Reporting Date, the balance amounted to a total of approximately NIS 1,916 million, as compared with a balance of approximately NIS 1,635 million as of the end of 2020, an increase of approximately NIS 281 million. The increase was due to the connection of the systems of the third competitive process in Israel (99MWp) in the amount of approximately NIS 148 million, and the connection to the power grid of 3 systems in Virginia Projects 2 in the United States (91MWp), in the amount of approximately NIS 295 million, which had not yet commenced commercial operation in the corresponding period last year. The aforementioned increase was partly offset by the sale of the Meitarim project in the amount of approximately NIS 24 million, the recording of current depreciation in the amount of approximately NIS 69 million, and the erosion of the PLN and USD exchange rates vs. the NIS during the Reporting Period, in the amount of approximately NIS 60 million and approximately NIS 24 million, respectively.

Systems under construction and initiation - As of the Reporting Date, the balance amounted to a total of approximately NIS 1,493 million, as compared with a total of approximately NIS 783 million as of the end of 2020, an increase of approximately NIS 710 million. The increase was due to the investment in the construction of projects in Israel in the amount of approximately NIS 173 million, the investment in the initiation and construction of projects in the United States (including the acquisition of NCRE) in the amount of approximately NIS 434 million, and the construction of projects in Poland in the amount of approximately NIS 375 million. This growth was partly offset

by the connection the power grid of photovoltaic projects in Israel and in the United States, which were classified under the item for connected electricity production systems, as stated above. 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 117 million, as compared with a balance of approximately NIS 26 million at the end of 2020, an increase of approximately NIS 91 million. The increase was mostly due to the engagement in a cap option transaction to hedge against the Wibor in construction projects in Poland, in the amount of approximately NIS 49 million, and the increase in the value of foreign currency hedging transactions in the amount of approximately NIS 54 million, due to the rise of the NIS exchange rate vs. the PLN and USD.

Deferred tax assets, net - As of the Reporting Date, the balance amounted to a total of approximately NIS 44 million, as compared with a total of approximately NIS 10.7 million as of the end of 2020, an increase of approximately NIS 33 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 239 million, as compared with a total of approximately NIS 217 million as of the end of 2020, an increase of approximately NIS 22 million, mostly due to liabilities to equipment suppliers and construction contractors in respect of the construction of projects in Israel and in Poland in the amount of approximately NIS 97 million. This increase was partially offset by payments to construction contractors in the amount of approximately NIS 80 million in the United States. For additional details, see Note 12 to the Financial Statements.

Liability in respect of agreement with tax partner (short term and long term) - The increase in this item, in the amount of approximately NIS 131 million, was due to the investment of the Tax Partner in Virginia Projects 2 during 2021, in the amount of approximately USD 55 million (approximately NIS 178 million). The increase 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 1,103 million, as compared with a balance of approximately NIS 705 million at the end of 2020, an increase of approximately NIS 398 million. The increase was mostly attributed to the acceptance of loans with respect to systems of the third competitive process in Israel (99MWp) in the amount of approximately NIS 187 million, and with respect to the systems of Banie Stage 3 and Sepopol in Poland, in the amount of approximately NIS 244 million. This increase was partly offset by current principal payments on the loans, and by the redemption of the loan as part of the sale of Meitarim project in the amount of approximately NIS 26 million.

Bonds and convertible bonds - As of the Reporting Date, the balance amounted to a total of approximately NIS 1,184 million, as compared with a total of approximately NIS 875 million as of the end of 2020, an increase of approximately NIS 309 million, mostly due to an issuance of bonds by way of extension of Series A and Series B. For additional information, see Note 14d(5) to the Financial Statements.

Other long term liabilities - As of the Reporting Date, the balance amounted to a total of approximately NIS 85 million, as compared with a total balance of approximately NIS 28 million as of the end of 2020, an increase of approximately NIS 57 million. The increase was mostly due to the increase in fair value of transactions to hedge electricity prices in the United States, in light of the increase in electricity prices during the period.

Equity – As of the Reporting Date, equity attributable to the Company's owners amounts to approximately NIS 1,511 million, compared with shareholders' equity attributable to the owners of the Company of approximately NIS 1.580 million as of December 31, 2020. The decrease in equity was mostly due to the recording of other comprehensive loss, which was carried directly to equity, with respect to translation differences from foreign operations, after deducting the impact of the hedge on investments in subsidiaries which constitute foreign operations, in the amount of approximately NIS 40 million, mostly due to the erosion of the average PLN and USD exchange rates vs. the NIS, and due to the loss from hedge transactions on electricity prices in the United States, after deducting profit from the hedge against the Wibor interest rate in Poland, in the amount of approximately NIS 34 million, and the dividend distribution to Company shareholders in the amount of approximately NIS 88 million. This decrease was partly offset by the exercise of options in the amount of NIS 10 million, the issuance of convertible bonds (Series B), with respect to the component which was attributed to the convertible option represented in the bonds, of approximately NIS 7 million (for additional details, see Note 14d(5) to the Financial Statements), and profit attributable to the Company's owners in the amount of approximately NIS 79 million.

4.2. Operating results

Presented below are the main operating results, in thousands of NIS (including quarterly distribution in 2021):

	Year ended December 31			Q4	Q3	Q2	Q1	Q4	
	2021	2020	2019	2021					2020
	NIS in thousands (Audited)			NIS in thousands (Unaudited)					
Revenues									
Revenues from the sale of electricity	200,788	201,833	179,118	50,148	52,847	53,664	44,129	50,389	
Revenues from the production of green certificates	60,049	59,970	58,008	21,190	12,483	12,357	14,019	17,137	
Other revenues, net	5,789	1,266	1,433	4,780	842	110	57	71	
	<u>266,626</u>	<u>263,069</u>	<u>238,559</u>	<u>76,118</u>	<u>66,172</u>	<u>66,131</u>	<u>58,205</u>	<u>67,597</u>	
Expenses									
Operating expenses	39,354	37,625	30,483	11,249	10,706	9,109	8,290	10,151	
Payroll, headquarters and other	40,534	29,666	23,695	13,879	8,141	9,925	8,589	7,886	
	<u>79,888</u>	<u>67,291</u>	<u>54,178</u>	<u>25,128</u>	<u>18,847</u>	<u>19,034</u>	<u>16,879</u>	<u>18,037</u>	
Profit before financing, taxes, depreciation and amortization (EBITDA)	186,738	195,778	184,381	50,990	47,325	47,097	41,326	49,560	
Capital gains from sale of consolidated partnership	12,363	-	-	-		12,363	-	-	
Depreciation and amortization	<u>(81,249)</u>	<u>(80,328)</u>	<u>(58,484)</u>	<u>(20,929)</u>	<u>(21,704)</u>	<u>(20,482)</u>	<u>(18,134)</u>	<u>(18,340)</u>	
Profit before financing and taxes	<u>117,852</u>	<u>115,450</u>	<u>125,897</u>	<u>30,061</u>	<u>25,621</u>	<u>38,978</u>	<u>23,192</u>	<u>31,220</u>	
Financing expenses, net	<u>(47,605)</u>	<u>(23,572)</u>	<u>(46,608)</u>	<u>(10,969)</u>	<u>(15,050)</u>	<u>(13,980)</u>	<u>(7,606)</u>	<u>(9,528)</u>	
Profit after financing, net	70,247	91,878	79,289	19,092	10,571	24,998	15,586	21,692	
Company's share in the results of associates and joint ventures	<u>1,320</u>	<u>(141)</u>	<u>1,105</u>	<u>230</u>	<u>576</u>	<u>402</u>	<u>112</u>	<u>59</u>	
Profit before taxes on income	<u>71,567</u>	<u>91,737</u>	<u>80,394</u>	<u>19,322</u>	<u>11,147</u>	<u>25,400</u>	<u>15,698</u>	<u>21,751</u>	
Taxes on income	<u>(23,188)</u>	<u>(25,215)</u>	<u>(17,422)</u>	<u>(6,492)</u>	<u>(3,256)</u>	<u>(8,159)</u>	<u>(5,281)</u>	<u>(11,962)</u>	
Tax income from the Tax Partner	<u>30,825</u>	<u>11,299</u>	<u>-</u>	<u>9,827</u>	<u>6,875</u>	<u>6,971</u>	<u>7,152</u>	<u>2,932</u>	
Income for the period	<u>79,204</u>	<u>77,821</u>	<u>62,972</u>	<u>22,657</u>	<u>14,766</u>	<u>24,212</u>	<u>17,569</u>	<u>12,721</u>	
Profit for the period attributable to the owners of the Company	79,319	77,209	62,831	22,800	14,719	24,308	17,492	12,918	
Profit (loss) for the year attributable to non-controlling interests	<u>(115)</u>	<u>612</u>	<u>141</u>	<u>(143)</u>	<u>47</u>	<u>(96)</u>	<u>77</u>	<u>(197)</u>	
Total profit for the period	<u>79,204</u>	<u>77,821</u>	<u>62,972</u>	<u>22,657</u>	<u>14,766</u>	<u>24,212</u>	<u>17,569</u>	<u>12,721</u>	

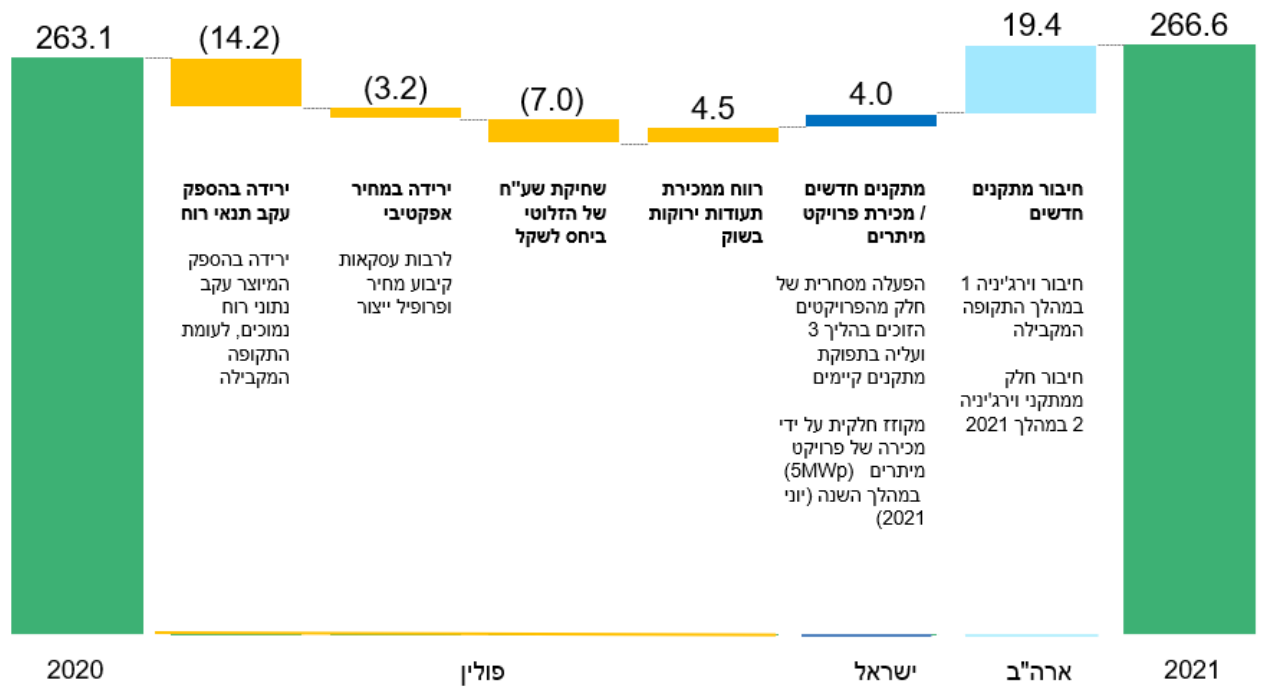
4.3. Additional details

	Year ended December 31		Year ended December 31
	2021	2020	2019
<u>Data regarding earnings per share (*)</u>			
Income per share	0.55	0.57	0.58
Profit before financing, taxes, depreciation and amortization (EBITDA)	0.38	0.48	0.51
FFO per share	0.26	0.32	0.41
Earnings per share - basic	0.16	0.17	0.15

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 other revenues, amounted during the Reporting Period to approximately NIS 267 million, as compared with total revenues of approximately NIS 263 million in the corresponding period last year, an increase in the amount of approximately NIS 4 million.

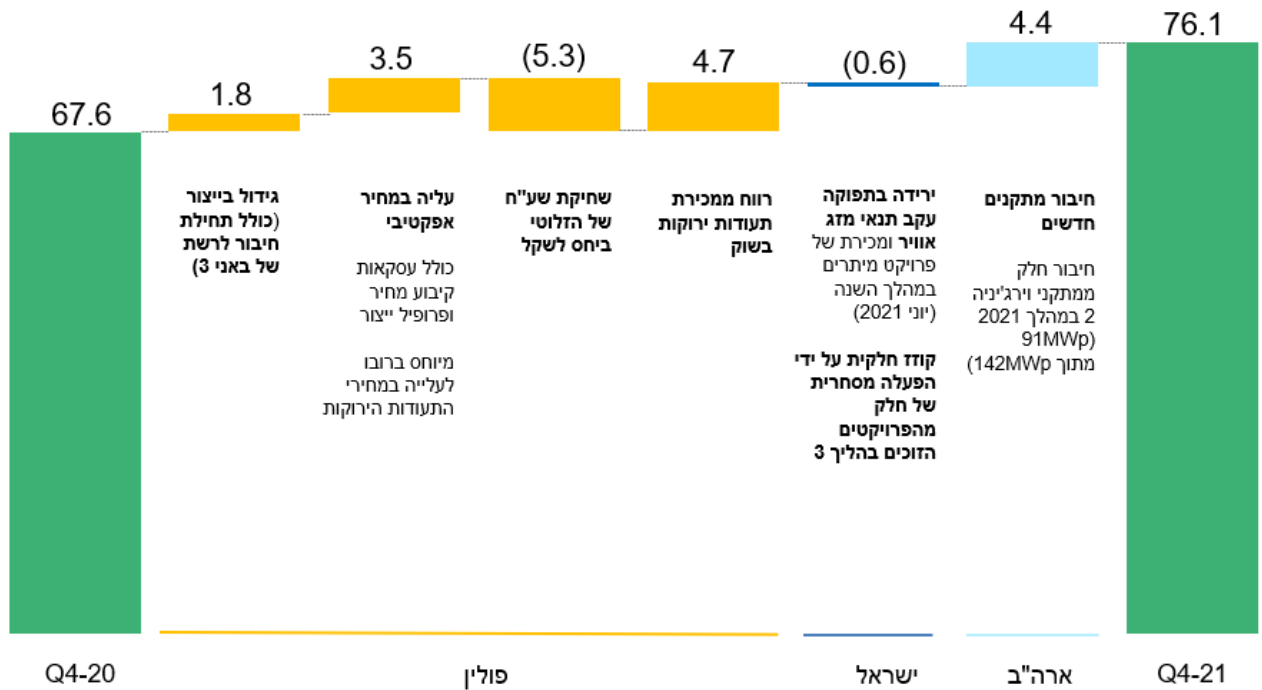
Presented below is a diagram specifying the main changes in revenue during the Reporting Period, relative to the corresponding period last year:



Decrease in capacity due to wind conditions	Decrease in effective price	Erosion of the PLN/NIS exchange rate	New facilities / sale of Meitarim project	Connection of new facilities
Decrease in produced capacity due to poor wind conditions relative to the corresponding period	Including fixed price transactions and production profile		Commercial operation of some of the winning projects in process 3 and increase of output in existing facilities Partially offset by sale of Meitarim project (5MWp) during the year (June 2021)	Connection of Virginia 1 during the corresponding period Connection of some of the Virginia 2 facilities during 2021
			Poland	USA

In the fourth quarter of 2021 (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 76 million, as compared with a total of NIS 67 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:



Increase in production (including commencing grid connection of Banie 3 to the	Increase in effective price	Erosion of the PLN/NIS exchange rate	Profit from sale of green certificates on the market	Decrease in output due to weather conditions and sale of Meitarim project during the year (June 2021)	Connection of new facilities
	Including fixed price transactions and production profile Mostly due to the increase in prices of green certificates			Partially offset by the commercial operation of some of the winning projects in process 3	Connection of some of the Virginia 2 facilities during 2021 (91MWp of 142MWp)
Poland				Israel	USA

Operating expenses - Operating expenses during the Reporting Period amounted to a total of approximately NIS 39 million, as compared with a total of approximately NIS 38 million in the corresponding period last year, an increase of approximately NIS 1 million.

Operating expenses in the fourth quarter amounted to a total of approximately NIS 11 million, as compared with a total of approximately NIS 10 million in the corresponding quarter last year, an increase of approximately NIS 1 million.

The moderate increase in operating expenses in 2021 and in the fourth quarter, relative to the corresponding periods last year, was due to the increase in expenses in Israel and in the United States, due to the connection of new projects, which was largely offset by the decrease in operating expenses in Poland, due to the decreased output (payment to the operating contractor due to, inter alia, the scope of revenue), and the rise of the PLN vs. the NIS.

Payroll, headquarter and other expenses - Payroll, headquarter and other expenses during the Reporting Period amounted to a total of approximately NIS 41 million, as compared with a total of approximately NIS 30 million in the corresponding period last year, an increase of approximately NIS 11 million.

Payroll, headquarter and other expenses in the fourth quarter amounted to a total of approximately NIS 14 million, as compared with a total of NIS 8 million in the corresponding quarter last year, an increase of approximately NIS 6 million.

The increase in payroll, headquarter and other expenses, both during the Reporting Period and in the fourth quarter, relative to the corresponding periods last year, was mostly due to the growth of the workforce in the United States.

Depreciation and amortization - Depreciation expenses during the Reporting Period amounted to a total of approximately NIS 81 million, as compared with a total of approximately NIS 80 million in the corresponding period last year. The change in depreciation expenses was due to one-time amortization in the amount of approximately NIS 8 million, due to the replacement of panels in the Company's small and medium systems which was recorded in the corresponding period, against the increase in depreciation expenses in the current period, with respect to systems which commenced operation for the first time in Israel and in the United States.

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

Net financing expenses - Net financing expenses in the Reporting Period amounted to a total of approximately NIS 48 million, as compared with a total of approximately NIS 24 million in the corresponding period last year. The increase in the amount of approximately NIS 24 million. Most of the increase, in the amount of approximately NIS 17 million, was due to the revaluation of project loans in Israel, due to the increase of around 2.4% of the CPI in Israel, as compared with the decrease of around 0.6% of the CPI in the corresponding period, and the increase of approximately NIS 7 million with respect to the bonds (Series B) which were issued at the end of the third quarter of 2020, and with respect to the issuance of bonds (Series A) and convertible bonds (Series B) in the fourth quarter of this year.

Net financing expenses in the fourth quarter amounted to a total of approximately NIS 11 million, as compared with a total of approximately NIS 10 million in the corresponding quarter last year, an increase of approximately NIS 1 million.

Taxes on income - During the Reporting Period, the Company recorded tax expenses in the amount of approximately NIS 23 million, as compared with approximately NIS 25 million in the corresponding period last year, a decrease of approximately NIS 2 million.

Tax on income expenses in the fourth quarter amounted to a total of approximately NIS 7 million, as compared with a total of approximately NIS 12 million in the corresponding quarter last year, a decrease of approximately NIS 5 million.

Tax income from tax partner - Income from the tax partner during the Reporting Period amounted to a total of approximately NIS 31 million, as compared with a total of approximately NIS 11 million in the corresponding period.

Tax income from the tax partner in the fourth quarter amounted to a total of approximately 9, as compared with a total of approximately NIS 3 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 Virginia Projects 1 in the third quarter of last year, and the commercial operation of Virginia Projects 2 in the fourth quarter of this year.

Net profit attributable to owners - During the Reporting Period, the Company recognized net profit attributable to owners in the amount of approximately NIS 81 million, as compared with net profit attributable to owners of approximately NIS 78 million in the corresponding period of last year, an increase of approximately NIS 3 million.

Net profit in the fourth quarter amounted to a total of approximately NIS 24 million, as compared with profit of approximately NIS 13 million in the corresponding period last year, an increase in the amount of approximately NIS 11 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 387 million. The decrease was mostly due to investments in project construction and initiation, which was partly offset by the acceptance of loans and bond issuances, and by cash inflows which arose for the Company from its operating activities.

The following table summarizes the sources and uses:

	Year ended December 31		
	2021	2020	2019
	NIS millions		
	(Audited)		
Operating activities plus / less the effect of fluctuations in exchange rates on cash	93.6	158.7	147.5
Sources			
Long term loan received from financial institutions	464.6	38.7	178.5
Short term loans received from banking institutions	-	-	112.0
Issuance of bonds and convertible bonds	313.0	500.0	427.5
Consideration from issuance of shares	-	461.4	234.5
Consideration from issuance of share options	-	-	4.5
Receipt of loan from Tax Partner	178.4	164.9	-
Consideration from exercise of share options	9.7	118.9	8.2
Settlement of financial instruments	46.7	2.9	(2.1)
Repayment of loans from associates and joint ventures	-	1.1	2.3
Consideration from sale of inventory of properties under construction	-	-	-
Consideration from sale of consolidated partnership	6.6	-	0.2
	<u>1,019.0</u>	<u>1,287.9</u>	<u>965.6</u>
Uses			
Investment in electricity production systems	(1,194.6)	(627.9)	(481.3)
Provision of loan	(13.2)	-	-
Decrease in pledged deposit and restricted cash, net	(35.9)	137.3	(124.2)
Repayment of long term loans from financial institutions	(52.0)	(54.7)	(322.8)
Repayment of principal in respect of lease liability	(7.7)	(4.6)	(5.7)
Repayment of principal in respect of lease liability	-	-	-
Credit raising costs	(13.3)	(0.9)	(2.4)
Bond raising costs	(2.0)	(5.2)	(3.9)
Investment in other fixed assets	(5.6)	(4.2)	(1.4)
Acquisition of subsidiary	(77.0)	-	-
Transaction with non-controlling interests	(9.8)	-	-
Return of capital to minority interests in consolidated company	(0.4)	(0.3)	-
Dividend paid to Company shareholders	(87.7)	(75.9)	-
	<u>(1,499.2)</u>	<u>(636.4)</u>	<u>(1,053.7)</u>
Total surplus of sources over uses	(386.6)	810.2	59.4
Balance of cash and cash equivalents at beginning of period	<u>961.7</u>	<u>151.4</u>	<u>92.0</u>
Balance of cash and cash equivalents at end of period	<u>575.1</u>	<u>961.6</u>	<u>151.4</u>

- **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 575 million, as compared with a total of approximately NIS 962 million as of December 31, 2020.

The Company has a total of approximately NIS 51 million which mostly includes debt service reserve funds to secure the repayment of the Group's loans.

After the Reporting Date, in light of the increase in the Company's scopes of activity, the Company increased its scope of available credit facilities to a total of approximately NIS 360 million (as of the end of 2020 - NIS 230 million), of which approximately NIS 220 million is available for use.

- **Financing sources and management of debt structure**

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 and bond raisings which it executed, and taking out loans within 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 2.3 billion. The total average lifetime of the debt is approximately 7 years.

4.5.3 As of the Reporting Date, the Company has unused credit facilities in the amount of approximately NIS 140 million, as compared with a total of approximately NIS 108 million as of December 31, 2020.

4.5.4 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 29, 2022, and it will work on securing a permit for a shelf prospectus for an additional period before it expires.

4.5.5 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.

4.5.6 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.

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 31 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 Company's 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, 2021 and December 31, 2020.

4.9. Sensitivity tests

See Appendix B below for sensitivity tables for sensitive instruments according to changes in market factors as of December 31, 2021.

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 having 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 and two are 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 2020 and 2021:

Services	2021		2020	
	Audit and tax services	Other services	Audit and tax services	Other services
Brightman Almagor Zohar & Co. (Deloitte) Israel				
Professional fees, NIS in thousands	708	325	630	410
Deloitte Poland				
Professional fees, NIS in thousands	200	-	137	-
Deloitte USA				
Professional fees, NIS in thousands	466	-	234	-

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. Legal proceedings

The Company is not involved in any material legal proceedings. For details regarding legal proceedings to which the Group is party, see Note 30a in Part C of the Report - Financial Statements.

10. 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 590 thousand, while in 2022, the total sum of donations is expected to amount to approximately NIS 1.000 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 2021 in an amount exceeding NIS 50 thousand, and the Company, or its CEO, or any of its directors, controlling shareholders, or any of their relatives.

11. 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 9, 14, 16, 26, 27 and 33 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.

March 10, 2022

**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, 2021, 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, 2021

	EUR	PLN	USD	Unlinked NIS	CPI- linked NIS	Non- financial assets (liabilities)	Total
	NIS in thousands						
<u>Current assets</u>							
Cash and cash equivalents	51,137	54,849	145,987	323,137	-	-	575,110
Inventory of projects for third parties	-	-	-	-	-	-	-
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>
<u>Non-current assets</u>							
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>
Total assets	<u>51,137</u>	<u>223,746</u>	<u>217,173</u>	<u>381,288</u>	<u>6,621</u>	<u>3,903,090</u>	<u>4,783,055</u>
<u>Current liabilities</u>							
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>471,385</u>
<u>Non-current liabilities</u>							
Liabilities for employee severance benefits	-	-	-	-	-	429	429
Loans from financial institutions	-	251,326	-	-	800,636	(10,312)	1,041,650
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
Other long term liabilities	-	-	-	8,447	-	21,269	29,716
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>

As of December 31, 2021

	EUR	PLN	USD	Unlinked NIS	CPI- linked NIS	Non- financial assets (liabilities)	Total
	NIS in thousands						
Total liabilities	3,884	373,042	262,172	1,312,155	1,005,369	313,185	3,269,807
Total surplus of assets over liabilities	47,253	(149,296)	(44,999)	(930,867)	(998,748)	3,589,905	1,513,248
Financial derivatives	-	(680,689)	(643,770)	1,324,459	-	-	-
Surplus of financial assets over financial liabilities (financial liabilities over financial assets)	47,253	(829,985)	(688,769)	393,612	(998,748)	3,589,905	1,513,268
Distribution of non-monetary assets (liabilities), net - by linkage bases	-	1,155,572	1,067,574	1,222,236	144,523	(3,589,905)	-
Surplus of assets over liabilities (liabilities over assets)	47,253	325,587	378,805	1,615,848	(854,225)	-	1,513,268

December 31, 2020

	EUR	PLN	USD	Unlinked NIS	CPI- linked NIS	Non- financial assets (liabilities)	Total
	NIS in thousands						
Current assets							
Cash and cash equivalents	25,698	91,175	209,363	635,480	-	-	961,716
Pledged deposit	-	-	643	-	-	-	643
Trade receivables	-	14,040	884	10,519	-	-	25,443
Green certificates	-	-	-	-	-	22,892	22,892
Receivables and debit balances	-	-	-	4,682	-	24,893	29,575
Hedging financial instruments	-	14,361	23,411	-	-	-	37,772
	25,698	119,576	234,301	650,681	-	47,785	1,078,041
Non-current assets							
Long term restricted cash	-	113	2,894	44,761	-	-	47,768
Right-of-use asset	-	-	-	-	-	214,989	214,989
Connected electricity production systems	-	-	-	-	-	1,635,329	1,635,329
Systems under construction and inventory	-	-	-	-	-	782,722	782,722
Fixed assets	-	-	-	-	-	7,138	7,138
Investment in associates and joint ventures	-	-	-	-	-	8,713	8,713
Other receivables	-	-	-	-	5,777	942	6,719
Hedging financial instruments	-	7,639	11,242	-	-	-	18,881
Deferred taxes, net	-	-	-	-	-	10,709	10,709
	-	7,752	14,136	44,761	5,777	2,660,542	2,732,968
Total assets	25,698	127,328	248,437	695,442	5,777	2,708,327	3,811,009

Current liabilities

Current maturities of long term loans	-	-	-	-	46,445	(439)	46,006
Current maturities of lease liabilities	-	686	2,168	-	3,654	-	6,508

December 31, 2020

	EUR	PLN	USD	Unlinked NIS	CPI- linked NIS	Non- financial assets (liabilities)	Total
	NIS in thousands						
Trade payables, other payables and credit balances	24,142	14,844	128,323	20,440	264	24,077	212,090
Short term liability in respect of agreement with Tax Partner	-	-	6,336	-	-	27,204	33,540
Hedging financial instruments	-	4,452	-	-	-	-	4,452
	<u>24,142</u>	<u>19,982</u>	<u>136,827</u>	<u>20,440</u>	<u>50,363</u>	<u>50,842</u>	<u>302,596</u>
<u>Non-current liabilities</u>							
Liabilities for employee severance benefits	-	-	-	-	-	387	387
Loans from financial institutions	-	-	-	-	662,304	(3,133)	659,171
Other long term liabilities	-	-	-	8,495	-	15,758	24,253
Bonds	-	-	-	427,478	-	(3,682)	423,796
Convertible bonds	-	-	-	455,590	-	(4,539)	451,051
Long term liability in respect of agreement with Tax Partner	-	-	18,372	-	-	87,855	106,227
Lease liability	-	55,576	36,782	-	103,417	-	195,775
Hedging financial instruments	-	-	3,965	-	-	-	3,965
Deferred taxes	-	-	-	-	-	56,317	56,317
	<u>-</u>	<u>55,576</u>	<u>59,119</u>	<u>891,563</u>	<u>765,721</u>	<u>148,963</u>	<u>1,920,942</u>
Total liabilities	<u>24,142</u>	<u>75,558</u>	<u>195,946</u>	<u>912,003</u>	<u>816,084</u>	<u>199,805</u>	<u>2,223,538</u>
Total surplus of assets over liabilities	<u>1,556</u>	<u>51,770</u>	<u>52,491</u>	<u>(216,561)</u>	<u>(810,307)</u>	<u>2,508,522</u>	<u>1,587,471</u>
Financial derivatives	<u>-</u>	<u>(529,734)</u>	<u>(466,175)</u>	<u>995,909</u>	<u>-</u>	<u>-</u>	<u>-</u>
Surplus of financial assets over financial liabilities (financial liabilities over financial assets)	<u>1,556</u>	<u>(477,964)</u>	<u>(413,684)</u>	<u>779,348</u>	<u>(810,307)</u>	<u>2,508,522</u>	<u>1,587,471</u>
Distribution of non-monetary assets (liabilities), net - by linkage bases	<u>-</u>	<u>758,826</u>	<u>693,966</u>	<u>952,107</u>	<u>103,623</u>	<u>(2,508,522)</u>	<u>-</u>
Surplus of assets over liabilities (liabilities over assets)	<u>1,556</u>	<u>280,862</u>	<u>280,282</u>	<u>1,731,455</u>	<u>(706,684)</u>	<u>-</u>	<u>1,587,471</u>

Appendix B – Sensitivity Tables for Sensitive Instruments as of December 31, 2021, According to Changes in Market Factors

Sensitivity analysis of foreign currency:

The table presented below details the effect of a 5% 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, 2021		
	Increase of 5% Profit and loss / comprehen sive income	Carrying value	Decrease of 5% Profit and loss / comprehen sive income
	NIS in thousands		
In EUR:			
Cash and cash equivalents	2,557	51,137	(2,557)
Trade payables, other payables and credit balances	(194)	(3,884)	194
In PLN:			
Cash and cash equivalents	2,742	54,849	(2,742)
Trade receivables, other receivables and debit balances	722	14,434	(722)
Long term pledged deposit and restricted cash	5	101	(5)
Hedging financial instruments - forward transaction	(22,758)	50,684	22,758
Cap option	1,785	49,094	(1,785)
Hedging financial instruments - CCS	(11,603)	55,566	11,603
Lease liability	(4,265)	(85,296)	4,265
Trade payables, other payables and credit balances	(1,502)	(30,047)	1,502
In USD:			
Cash and cash equivalents	7,299	145,987	(7,299)
Trade receivables	180	3,609	(180)
Pledged deposit	1,662	33,232	(1,662)
Trade payables, other payables and credit balances	(2,420)	(48,404)	2,420
Liability in respect of agreement with Tax Partner	(5,020)	(100,394)	5,020
Lease liability	(2,313)	(46,253)	2,313
Hedging financial instruments - forward transaction	(32,167)	31,855	32,167
Financial derivatives - Hedging of electricity prices in the United States (SWAP)	(3,286)	(65,773)	3,286
Hedging financial instruments - CCS	(12,248)	1,142	(12,377)

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 to peg electricity prices in the United States (before tax effect):

	As of December 31, 2021		
	Changes to electricity prices in the United States		
	Increase of 5%	Carrying value	Decrease of 5%
	Comprehensive income		Comprehensive income
NIS in thousands			
Financial derivatives - Hedging of electricity prices in the United States (SWAP)	(11,390)	(65,773)	11,390

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

	As of December 31, 2021		
	Increase of 2%	Carrying value	Decrease of 2%
	Profit and loss		Profit and loss
	NIS in thousands		
Loans from financial institutions	(16,099)	(855,191)	13,117

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):

	As of December 31, 2021				
	Increase of 10%	Increase of 5%	Fair value	Decrease of 5%	Decrease of 10%
	Loss from the changes (Before tax effect)			Profit from the changes (Before tax effect)	
	NIS in thousands				
Sensitive instruments					
Fixed rate instruments					
CPI-linked loans in NIS	6,169	3,100	924,168	(3,132)	(6,297)
Total	6,169	3,100	924,168	(3,132)	(6,297)

Appendix C – The Corporation's Liabilities by Payment Dates

Presented below are the Group's liabilities that are payable after December 31, 2021:

	Bonds (Series A) (*)	Convertible bonds (Series B)	Loans from financial institutions	Total	Percenta ge
Current maturities	70,217	-	61,675	131,892	6%
Second year	70,217	-	63,330	133,547	6%
Third year	70,217	-	68,049	138,266	6%
Fourth year	70,217	-	67,409	137,626	6%
Fifth year and thereafter	351,089	518,939	853,835	1,723,863	76%
Total payments	631,957	518,939	1,114,298	2,265,194	100%
Balance of discount	(4,751)	(4,332)	(11,035)	(20,118)	
Total financial debt	627,206	514,607	1,103,263	2,245,076	

(*) Including a hedging transaction of the cross currency swap type from NIS to PLN, in the amount of approximately 270 million out of the bond amount. For details, see Note 14d(5) in Part C of the Report - Financial Statements.

As of December 31, 2021, the total sum of off-balance sheet liabilities in respect of guarantees amounted to approximately NIS 139 million.

Appendix D – Information Regarding the Internal Auditor

Item	Details
Name	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.
Commencement of tenure	July 5, 2016
Compliance with the provisions of the law	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.
Holdings in the securities of the Company or of a related entity	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.
Significant business connections or other significant connections with the Company or an entity related to it	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 an corporate officer in the Company and he does not serve as the Company's independent Auditor or on its behalf.
Is the Auditor an employee of the Company or an external service provider	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.
Appointment process	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.
The person in the organization who is responsible for the Internal Auditor	Chairman of the Board.
Work plan	<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 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.</p>

Item**Details**

The Internal Auditor's annual work plan which was approved for 2021 included auditing of the following matters: (1) The Company's response to the coronavirus crisis; (2) Implementation of information security and cybersecurity recommendations; (3) Implementation of information security and cybersecurity recommendations; (4) Construction, operation and money management in Poland; and (5) Specific audit regarding engagements. The Internal Auditor is not permitted to deviate from the work plan which was determined in his exclusive discretion.

Audit in foreign countries or of investee companies

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

Scope of employment

The plan approved for 2021 includes 575 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, 2021 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:

Subject of the report	Date of submission in writing	Date of the Audit Committee's discussion	Report addresses the Company's activities / Report addresses the activities of investees outside of Israel
The Company's response to the coronavirus crisis	March and May 2021	March 1, 2021 and May 3, 2021	The Company's activity
Specific audit regarding engagements	May 2021	3.5.2021	The Company's activity (Israel)
Implementation of information security and cybersecurity recommendations	August 2021	8.8.2021	The Company's activity
Construction, operation and money management in Poland	November 2021	3.11.2021	The Company's activity (Poland)

Performing the audit

The professional standards that guide the audit work: According to the notification of the Internal Auditor, the internal audit work is performed according to acceptable professional standards for internal audits, professional guidelines and instructions that were approved and issued by the Institute of Internal Auditors in Israel.

Access to information

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

Item**Details**

information systems (including for investee corporations and foreign investee corporations), including financial data.

**Scope, nature and continuity of the Internal Auditor's activity and work plan
Compensation**

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.

For details regarding the compensation of the Internal Auditor in 2021, 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, 2021 (NIS in thousands):

		Bonds (Series A)	Bonds (Series B)
1	Issuance date	Initial offering on December 12, 2019 and series extension on November 14, 2021	Initial offering on September 6, 2020 and series extension on November 14, 2021
2	Par value on the issuance date	427,478 in initial offering and 242,960 in series extension	500,000 in initial offering and 66,602 in series extension
3	Par value as of December 31, 2021	670,438	566,602
4	Linked par value as of December 31, 2021	Unlinked	Unlinked
5	Value in the Financial Statements as of December 31, 2021 (at amortized cost)	673,839	518,939
6	Market value as of December 31, 2021	690,079	480,537
7	Accrued interest as of December 31, 2021	4,258	540
8	Interest rate / fixed margin for the year	2.05%	0.25%
9	Materiality of series⁴⁷	Yes	Yes
10	Principal payment dates	18 equal semi-annual payments, due on February 1 and August 1 of each of the years 2022 to 2030 (inclusive)	Single payment on August 1, 2027
11	Interest payment dates	February 1 and August 1 of each of the years 2020 to 2030 (inclusive).	February 1 and August 1 of each of the years 2021 to 2027 (inclusive).
12	Linkage base (principal and interest)	Unlinked	Unlinked
13	Conversion right	None	Bonds convertible to Company shares from the issuance date until December 31, 2022
14	Main conditions for conversion	N/A.	Each NIS 17.535 ⁴⁸ par value of the bonds will be convertible into one ordinary Company share, and from January 1, 2023 to July 22, 2027, each

⁴⁷A 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.

⁴⁸Following adjustment of the exercise price in respect of dividend distribution.

		Bonds (Series A)	Bonds (Series B)
			NIS 97.416 ⁷ par value will be convertible into one ordinary Company share.
15	Guarantee to pay the liability	None	None
16	Early redemption	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
17	Pledges in favor of the bond holders	None ⁸	None ⁴⁹
18	Restrictions in connection with the creation of additional pledges	The Company will not create floating pledges on all of its assets (negative pledge) unless it has contacted the trustee in writing before creating the pledge, and informed him about it, and it will also create, concurrently with the creation of the pledge in favor of the third party, a floating pledge of the same rank, pari passu, in favor of the bond holders (Series A).	The Company will not create floating pledges on all of its assets (negative pledge) unless it has contacted the trustee in writing before creating the pledge, and informed him about it, and it will also create, concurrently with the creation of the pledge in favor of the third party, a floating pledge of the same rank, pari passu, in favor of the bond holders (Series B).
19	Restrictions in connection with the authority to issue additional liability certificates	None	None
20	Validity of pledges	N/A.	N/A.
21	Conditions in the liability certificates regarding the change, release, replacement or cancellation of pledges	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
22	Changes to the conditions of the liability certificates regarding	No changes made	No changes made

⁴⁹The 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.

		Bonds (Series A)	Bonds (Series B)
	pledges during the Reporting Period		
23	Way in which the changes were approved	N/A.	N/A.
24	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	Yes	Yes
25	Were the conditions for demanding the immediate repayment of the liability certificates or for forfeiting the collateral fulfilled	No	No
26	Description of the breach (if any)	N/A.	N/A.
27	Did the Company receive a demand from the trustee to perform various actions	No	No
28	Name of trust company Name of individual responsible for the series Address Telephone	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	Holder's meetings	Holder's meeting not held	Holder's meeting not held
30	Rating		
	Rating company	Maalot	Maalot
	Rating as of the issuance date	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
	Rating as of December 31, 2021	Unchanged	Unchanged
	Rating company	Midroog	Midroog
	Rating as of the issuance date	A2.il, stable outlook	A2.il, stable outlook
	Rating as of December 31, 2021	Unchanged	Unchanged

Appendix F – Rating Reports⁵⁰

- 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, 2021 (reference number 2021-01-174906).
- For the current rating report of Midroog Ltd., see the immediate report which was published by the Company on November 8, 2021 (reference number 2021-01-095401).

⁵⁰The information provided in the aforementioned immediate reports was included in this report by way of reference.

Energix - Renewable Energies Ltd.

Consolidated Financial Statements

As of December 31, 2021

(Audited)

Auditors' Report to the Shareholders of Energix - Renewable Energies Ltd.

Regarding the Audit of Internal Controls over Financial Reporting In Accordance with Regulation 9B(c) of the Securities Regulations (Periodic and Immediate Reports) - 1970

We have audited internal controls over financial reporting of Energix Renewable Energies Ltd. and its subsidiaries (hereinafter, jointly: the “**Group**”) as of December 31, 2021. 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 have prepared 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, 2021.

We have also audited, in accordance with generally accepted auditing standards in Israel, the Group’s Consolidated Financial Statements as of December 31, 2021 and 2020, and for each of the three years, the last of which ended December 31, 2021, and our report, dated March 10, 2022, 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, March 10, 2022

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

We have audited the consolidated statements of financial position of **Energix - Renewable Energies Ltd.** and its subsidiaries (hereinafter: the “**Group**”) as of December 31, 2021 and 2020, as well as the consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years, the last of which ended December 31, 2021. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion regarding these financial statements, based on our audit.

We have conducted our audit in accordance with generally accepted auditing standards in Israel, including standards set forth in the Auditors' Regulations (Auditors' Mode of Performance) - 1973. 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 Financial Statements include no material misrepresentation. An audit includes an evaluation, on a sample basis, of evidence to support the amounts and information presented in the Financial Statements. An audit also includes 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, as well as an evaluation 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, 2021 and 2020, 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, 2021, 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, 2021, and our report dated March 10, 2022 included an unqualified opinion regarding the effective existence of those controls.

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

Tel Aviv, March 10, 2022

תל אביב - משרד ראשי

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Energix - Renewable Energies Ltd.
Consolidated Statements of Financial Position

	Note	<u>As of December 31</u>	
		<u>2021</u>	<u>2020</u>
		<u>NIS in thousands</u>	
		<u>(Audited)</u>	
Assets			
<u>Current assets</u>			
Cash and cash equivalents	4	575,110	961,716
Pledged deposit	5	30,433	643
Trade receivables and income receivable from customers	6	25,956	25,443
Green certificates	7	13,926	22,892
Receivables and debit balances	8	204,327	67,347
Total current assets		<u>849,752</u>	<u>1,078,041</u>
<u>Non-current assets</u>			
Long term pledged deposit and restricted cash	5	51,223	47,768
Right-of-use asset	10	291,172	214,989
Connected electricity production systems	9	1,915,832	1,635,329
Systems under construction and initiation	9	1,492,651	782,722
Other fixed assets	9	11,306	7,138
Investment in associates and joint ventures	11B	10,429	8,713
Other receivables	8	116,607	25,600
Deferred tax assets, net	28D	44,083	10,709
Total non-current assets		<u>3,933,303</u>	<u>2,732,968</u>
Total assets		<u>4,783,055</u>	<u>3,811,009</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>2021</u>	<u>2020</u>
		<u>NIS in thousands</u>	
		<u>(Audited)</u>	
Liabilities and equity			
<u>Current liabilities</u>			
Current maturities of long term loans	14B	61,613	46,006
Current maturities of lease liabilities		9,745	6,508
Current maturities of bonds	14D8	74,871	-
Trade payables	12	161,264	138,800
Payables and credit balances	13	77,622	77,742
Short term liability in respect of agreement with Tax Partner	14G	86,269	33,540
Total current liabilities		<u>471,384</u>	<u>302,596</u>
<u>Non-current liabilities</u>			
Loans from financial institutions	14B	1,041,650	659,171
Other long term liabilities	14F	84,765	28,218
Bonds	14D8	594,217	423,796
Convertible bonds	14D8	514,607	451,051
Lease liability		271,262	195,775
Long term liability in respect of agreement with tax partner	14G	184,976	106,227
Liability for employee severance benefits, net		429	387
Deferred tax liability, net	28E	106,516	56,317
Total non-current liabilities		<u>2,798,422</u>	<u>1,920,942</u>
<u>Equity</u>			
Share capital	16	4,882	4,825
Premium and capital reserves	16	1,406,435	1,471,097
Retained earnings		99,646	104,374
Total equity attributable to the owners of the Company		<u>1,510,963</u>	<u>1,580,296</u>
Non-controlling interests		<u>2,286</u>	<u>7,175</u>
Total equity		<u>1,513,249</u>	<u>1,587,471</u>
Total liabilities and equity		<u>4,783,055</u>	<u>3,811,009</u>

March 10, 2022

**Date of Signing of
the Financial
Statements**

**Nathan Hetz
Chairman of Board
of Directors**

**Asa Levinger
CEO**

**Nevo Brenner
CFO**

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

Energix - Renewable Energies Ltd.
Consolidated Statements of Financial Position

	Note	Year ended December 31		
		2021	2020	2019
		NIS in thousands (Audited)		
<u>Revenues</u>				
Revenues from the sale of electricity	17	200,788	201,833	179,118
Revenues from the production of green certificates	17	60,049	59,970	58,008
Other revenues, net	18	5,789	1,266	1,433
		<u>266,626</u>	<u>263,069</u>	<u>238,559</u>
<u>Expenses</u>				
Maintenance of systems and others	19	38,973	36,981	30,106
Initiation expenses	21	381	644	377
Payroll and related expenses	20	20,517	15,034	12,105
Administrative, headquarters and other	22	20,017	14,632	11,590
		<u>79,888</u>	<u>67,291</u>	<u>54,178</u>
Profit before financing, taxes, depreciation and amortization		186,738	195,778	184,381
Capital gains from sale of consolidated partnership		12,363	-	-
Depreciation and amortization	9A+10	(81,249)	(80,328)	(58,484)
Profit before financing and taxes		<u>117,852</u>	<u>115,450</u>	<u>125,897</u>
Financing income	23	2,350	6,669	3,250
Financing expenses	24	(49,955)	(30,241)	(49,858)
Financing expenses, net		<u>(47,605)</u>	<u>(23,572)</u>	<u>(46,608)</u>
Profit after financing, net		70,247	91,878	79,289
Company's share in the results of associates and joint ventures		1,320	(141)	1,105
Profit before taxes on income		<u>71,567</u>	<u>91,737</u>	<u>80,394</u>
Taxes on income	28D	(23,188)	(25,215)	(17,422)
Tax income from the Tax Partner		30,825	11,299	-
Profit for the year		<u>79,204</u>	<u>77,821</u>	<u>62,972</u>
Total profit for the period attributable to:				
Profit for the year attributable to the owners of the Company		79,319	77,209	62,831
Profit (loss) for the year attributable to non-controlling interests		(115)	612	141
Total profit for the year		<u>79,204</u>	<u>77,821</u>	<u>62,972</u>
Net earnings per share attributable to the equity holders of the Company (NIS):				
Basic		<u>0.163</u>	<u>0.167</u>	<u>0.153</u>
Diluted		<u>0.161</u>	<u>0.162</u>	<u>0.149</u>
Weighted average share capital used to compute the earnings per share (thousands of shares):				
Basic	27	<u>486,454</u>	<u>462,794</u>	<u>411,748</u>
Diluted	27	<u>493,728</u>	<u>477,826</u>	<u>422,727</u>

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

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

	Year ended December 31		
	2021	2020	2019
	NIS in thousands		
	(Audited)		
Profit for the year	79,204	77,821	62,972
Other comprehensive income items that after initial recognition in comprehensive income were or will be transferred to profit or loss			
Foreign currency translation differences for foreign operation profit (loss) with respect to cash flow hedge - value of time, net of tax	(143,367)	(88,860)	(48,643)
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	(1,937)	-	-
Change in the fair value of cash flow hedging instruments, net of tax	103,306	33,432	17,918
Total comprehensive income (loss) for the year	<u>5,104</u>	<u>38,455</u>	<u>14,415</u>
Total comprehensive income attributable to:			
Owners of the Company	5,219	37,843	14,274
Non-controlling interests	(115)	612	141
Total comprehensive income (loss) for the year	<u>5,104</u>	<u>38,455</u>	<u>14,415</u>

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

Energix - Renewable Energies Ltd.
Consolidated Statements of Changes in Equity

For the year ended December 31, 2021 (audited)

	Share capital	Premium	Receipts on account of options and conversion component of bonds	Capital reserve from cash flow hedge	Capital reserve from cash flow hedge - value of time	Reserve in respect of translation differences, including hedging of net investment in a foreign operation	Capital reserve from transactions with non-controlling interests	Capital reserve from transactions with controlling shareholders	Retained earnings (accumulated loss)	Total equity attributable to the shareholders of the Company	Non-controlling interests	Total equity
NIS in thousands												
Balance as of January 1, 2021	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 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 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)
Balance as of December 31, 2021	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

(*) 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											
Balance as of January 1, 2020	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)
Balance as of December 31, 2020	4,825	1,550,646	46,286	(3,411)	(119,874)	(3,062)	512	104,374	1,580,296	7,175	1,587,471

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, 2019 (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											
Balance as of January 1, 2019	3,798	715,695	-	(1,641)	(33,721)	(3,062)	512	42,186	723,767	8,342	732,109
Initial adoption of IFRS 16	-	-	-	-	-	-	-	(4,536)	(4,536)	-	(4,536)
Income (loss) for the year	-	-	-	-	-	-	-	62,831	62,831	141	62,972
Other comprehensive loss for the year	-	-	-	(17,832)	(30,725)	-	-	-	(48,557)	-	(48,557)
Issuance of shares	405	234,067	4,478	-	-	-	-	-	238,950	-	238,950
Exercise of share options	53	17,486	(3)	-	-	-	-	(2,001)	15,535	-	15,535
Share-based payment	-	-	-	-	-	-	-	4,709	4,709	-	4,709
Balance as of December 31, 2019	4,256	967,248	4,475	(19,473)	(64,446)	(3,062)	512	103,189	992,699	8,483	1,001,182

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

Energix - Renewable Energies Ltd.
Consolidated Statements of Cash Flows

	Note	Year ended December 31		
		2021	2020	2019
		NIS in thousands		
Cash flows - operating activities				
Income for the year		79,204	77,821	62,972
Expenses not involving cash flows (Appendix A)		76,767	90,223	91,690
		<u>155,971</u>	<u>168,044</u>	<u>154,662</u>
Changes in working capital (Appendix B)		(52,482)	3,274	(3,074)
Net cash from operating activities		<u>103,489</u>	<u>171,318</u>	<u>151,588</u>
Cash flows - investing activities				
Investment in electricity production systems	9	(1,194,586)	(627,882)	(481,319)
Increase in pledged deposit and restricted cash	5	(35,908)	(35,658)	(156,730)
Decrease in pledged deposit and restricted cash	5	-	172,981	32,798
Acquisition of subsidiary	9	(77,008)	-	-
Settlement of derivative financial instruments		46,743	2,891	(2,141)
Repayment of loans to associates and joint ventures	11	-	1,100	2,300
Provision of loan	25	(13,247)	-	-
Investment in other fixed assets	9	(5,577)	(4,175)	(1,378)
Consideration from sale of consolidated partnership (*)	9	6,644	-	197
Net cash used in investing activities		<u>(1,272,939)</u>	<u>(490,743)</u>	<u>(606,273)</u>
Cash flows - financing activities				
Consideration from issuance of shares, net	16	-	461,446	234,472
Consideration from issuance of share options	16	-	-	4,478
Consideration from exercise of share options		9,665	118,909	8,180
Repayment of principal in respect of lease liability		(7,743)	(4,607)	(5,665)
Credit raising costs		(13,320)	(864)	(2,419)
Transaction with non-controlling interests		(9,834)	-	-
Return of capital to non-controlling interests		(380)	(341)	-
Issuance of bonds and convertible bonds	14	312,963	500,000	427,478
Costs of raising bonds and convertible bonds	14	(2,006)	(5,245)	(3,947)
Short term loans received from banking institutions	14	-	-	112,000
Repayment of short term loans from banking institutions	14	-	-	(112,000)
Receipt of loan from Tax Partner	14	178,443	164,905	-
Long term loan received from financial institutions	14	464,604	38,742	178,498
Repayment of long term loans from financial institutions	14	(51,973)	(54,703)	(322,821)
Dividend paid to Company shareholders		(87,712)	(75,944)	-
Net cash from (used in) financing activities		<u>792,707</u>	<u>1,142,298</u>	<u>518,254</u>
Change in cash and cash equivalents		<u>(376,743)</u>	<u>822,873</u>	<u>63,569</u>
Balance of cash and cash equivalents at beginning of year		961,716	151,418	91,983
Effect of exchange rate fluctuations on cash and cash equivalents		(9,863)	(12,575)	(4,134)
Balance of cash and cash equivalents at end of year		<u>575,110</u>	<u>961,716</u>	<u>151,418</u>

(*) See Appendix C of this report.

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

Energix - Renewable Energies Ltd.
Consolidated Statements of Cash Flows

	Year ended December 31		
	2021	2020	2019
	NIS in thousands		
(Audited)			
<u>Appendix - Adjustments Required to Present Cash Flows from Operating Activities</u>			
a. Expenses (income) not involving cash flows:			
Financing expenses (income), net	10,514	8,282	13,135
Revaluation of loans, deposits and marketable securities, net	16,037	(3,075)	1,557
Depreciation and amortization	81,249	80,328	58,484
Company's share in the results of equity-accounted partnerships	(1,320)	141	(1,105)
Tax expenses recognized in profit for the period	(22,517)	1,739	14,882
Share-based payment	5,125	2,807	4,709
Profit from sale of consolidated partnership	(12,363)	-	-
Other	42	1	28
	<u>76,767</u>	<u>90,223</u>	<u>91,690</u>
b. Changes in asset and liability items (changes in working capital):			
Increase in trade receivables and other receivables and debit balances	(27,254)	(13,277)	(5,094)
Decrease (increase) in inventory of green certificates	7,251	(3,944)	(10,121)
Increase (decrease) in trade payables and other payables and credit balances	(460)	20,495	12,141
Purchase of cap option	(32,019)	-	-
	<u>(52,482)</u>	<u>3,274</u>	<u>(3,074)</u>
<u>Non-cash activity</u>			
Receivables from non-cash exercise of share options	2,922	-	7,351
Investment in electricity production facilities against supplier credit and payables	8,369	30,399	130,959
Increase in right-of-use asset against lease liability due to new lease agreements	93,911	57,691	47,626
<u>Additional information</u>			
Interest paid for operating activities	5,717	18,462	30,386
Interest received in respect of operating activities	-	-	57
Interest payments in respect of lease	-	-	731
Taxes paid	15,106	12,176	1,957
Interest paid in respect of properties under construction	23,714	17,255	10,196

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

Energix - Renewable Energies Ltd.
Consolidated Statements of Cash Flows

	Year ended December 31		
	2021	2020	2019
	NIS in thousands		
	(Audited)		
<u>Appendix C - Sale of Consolidated Partnership</u>			
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	<u>7,805</u>	<u>-</u>	<u>-</u>
<u>Cash flows, net</u>			
Total consideration	7,805	-	-
Less previously consolidated cash and cash equivalents	(1,161)	-	-
Total added cash	<u>6,644</u>	<u>-</u>	<u>-</u>

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

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

Note 1 - General

A. General description of the Company and its operations

Energix - Renewable Energies Ltd. (hereinafter: the “**Company**”) is a public company whose securities have been listed for trading on the Tel Aviv Stock Exchange since May 2011. Since its formation, the Company has been 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 and in the United States.

(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.

The Company also works on the initiation and construction of energy storage facilities, either as part of the construction of electricity production facilities in the Photovoltaic Segment, or as standalone facilities. This field of activity does not constitute a separate operating segment.

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 600MW in commercially active projects, approximately 665MWp in projects under construction and pre-construction, and 860MW 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 GW, and initiated projects in the Storage Segment at a scope of around 7 GWh.

B. Impact of the coronavirus outbreak on the Company’s activity

The coronavirus began spreading around the world in early 2020. The outbreak and effects of the pandemic have resulted in uncertainty in global markets. Alongside the intention of developed countries to respond to the effects of the coronavirus pandemic and to create channels for growth, accelerated activity is taking place in various countries towards promoting infrastructure projects in general, and in the renewable energy industry sector in particular (including extension of dates for protecting rights by virtue of the various arrangements), along with measures leading to monetary expansion.

On all matters pertaining to the Company’s activity, except with respect to delays in the timetable for the development and initiation of projects which depend on government institutions, the spread of the coronavirus around the world and in Israel has not had a significantly negative impact on the Company’s activities, and the Company believes that a significantly adverse impact on its activity is not expected in the short term.

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

Note 1 - General (Cont.)

Definitions in these financial statements:

The Consolidated Financial Statements of the Company as of December 31, 2021 include the Financial Statements of the Company, and of companies and partnerships under its control, as well as the Company's interests in Granot Partnership (as defined in this note) (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:

Alony Hetz	As defined in Section 1a.
Amot	Amot Investments Ltd., a subsidiary of Alony Hetz, the Company's controlling shareholder, and all of its subsidiaries, investees and consolidated companies.
Interested Parties	As defined in Paragraph (1) of the definition of an "interested party" in Section 1 of the Securities Law - 1968.
Company	As defined in Section 1a. Any reference to the term "Company" in this report means the Company, directly and/or indirectly through
US Venture	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, including energy storage, in the USA.
Israel Joint Venture	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
Group	As defined in this section above. For details of investee companies, see Note 11.
Consolidated Companies / Subsidiaries	Corporations, including companies and partnerships, whose reports are fully consolidated, directly or indirectly, with the Company's reports.
Investee Companies	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).
Electric Corporation / Critical Service Provider	Israel Electric Corporation Ltd.
Index / CPI	The Consumer Price Index as published by the Central Bureau of
Small Systems	Photovoltaic systems with an electricity production capacity of up to 50 KWp each.
Medium Systems	Photovoltaic systems with an electricity production capacity greater than 50KWp that are connected to the distribution network.
Large Systems	Photovoltaic systems for the production of electricity that are connected to the transmission network.
Systems of the First Competitive process	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 Company.

Energix - Renewable Energies Ltd.

Notes to the Consolidated Financial Statements

Systems of the Second Competitive Process	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.
Systems of the Third / Fourth Competitive Process	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, As defined in Note 9b(5).
Clean Wind Energy	As defined in Note 9a.
Neot Hovav Project	As defined in Note 9a.
Banie Project 1+2	As defined in Note 9b(4)(b).
Banie Project 3	As defined in Note 9b(4)(c).
Banie Project 4	As defined in Note 9b(4)(d).
Ilawa Project	As defined in Note 9b(4)(b).
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.
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.
Projects Under Construction or in Pre-Construction	Projects of the Company which are under construction or whose actual construction is expected to begin in the near future.
Commercially Active Projects	Projects whose construction has been completed, and in which the produced electricity is transmitted to the power grid.
Virginia Projects 1-2	As defined in Note 9b(2).
Sepopol Project	As defined in Note 9b(4)(c).
Related Party	As defined in IAS 24 (2009), "Related Party Disclosures".
Granot Partnership	Granot Energix Solar Projects, Limited Partnership, which is 50% held by the Company and accounted by the equity method.
Meitarim Partnership	Energix Har Hevron, Limited Partnership, which was 50.1% held by the Company, and sold in 2021.
Projects Partnership 1	Energix Projects 1, Limited Partnership, which is 100% held by the Company.
Photovoltaic Segment	As defined in Note 1a.
Wind Energy Segment	As defined in Note 1a.
Green Certificates	As defined in Note 3f.
KWp	Peak kilowatt units which are used to measure the installed electricity production capacity of photovoltaic systems.
MWp	1,000 peak kilowatt units which are used to measure the installed electricity production capacity of photovoltaic systems.
MW	1,000 kilowatt units which are used to measure the actual transmitted capacity of turbines that are operated with wind energy.
GW/GWp	1,000 units MW/MWp, as applicable.

Energix - Renewable Energies Ltd.

Notes to the Consolidated Financial Statements

Vestas	Vestas Ltd., one of the world's leading turbine manufacturers.
Morgan Stanley	Morgan Stanley Renewables Inc., the Tax Partner described in Note 9b(2)(b).
Shell	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.

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 March 10, 2022.

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).

Note 2 - Basis of Preparation (Cont.)

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;

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

- Provisions and assets to which were they capitalized.

D. Operating cycle

The Group's operating cycle period is 12 months.

E. Classification of expenses recognized in the income statement

The classification of the Group's expenses recognized in the statement of income is based on the function of the expense. The Group has chosen to use this classification method because it believes that it facilitates simple and clear presentation of profit before financing, taxes, depreciation and amortization. This index is an important index for companies in the Company's field of activity, and contributes to a better understanding of the results of its business operations.

F. Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management of the Company to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. It is hereby clarified that actual results may differ from these estimates. In formulating the accounting estimates that are used in the preparation of the Financial Statements of the Group, management of the Company is required to make assumptions as to circumstances and events involving significant uncertainty. Management of the Company prepares the estimates on the basis of past experience, various facts, external circumstances, and reasonable assumptions according to the pertinent circumstances of each estimate.

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.

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

Note 2 - Basis of Preparation (Cont.)

F. Use of estimates and judgments (Cont.)

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 3o.

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 32 - Financial Instruments.

F. Determination of fair value

Preparation of the Financial Statements requires the Company to determine the fair value of certain assets and liabilities. Further information about the assumptions that were used to determine fair value is included in Note 31 - Financial Instruments.

When determining the fair value of an asset or liability, the Group uses observable market data as much as possible. There are three levels of fair value measurements in the fair value hierarchy that are based on the data used in the assessment, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs that are observable, directly or indirectly, which are not included in Level 1 above.
- Level 3: inputs that are not based on observable market data.

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

Note 2 - Basis of Preparation (Cont.)

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:

	As of December 31 / for the month of December			Change during the one year period ended December 31		
	2021	2020	2019	2021	2020	2019
				%		
Consumer Price Index						
(According to base 2000)						
In Israel (index in lieu)	136.35	132.63	133.56	2.80	(0.69)	0.60
In Israel (known index)	135.95	132.77	133.56	2.40	(0.60)	0.30
Exchange rate vs. the NIS						
PLN	0.76	0.85	0.91	(10.48)	(6.17)	(8.87)
EUR	3.52	3.94	3.88	(10.78)	1.67	(9.63)
USD	3.11	3.22	3.46	(3.27)	(6.97)	(7.79)

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.

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Notes to the Consolidated Financial Statements

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(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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Notes to the Consolidated Financial Statements

(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 with respect to 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. In case, as part of the purchase consideration, the Company has an obligation regarding additional payments, depending on performance or other events, the Company recognizes a contingent consideration financial liability, which is measured prospectively at fair value through profit or loss.

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

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

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.

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.

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.

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

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. 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, or when the Group substantially transfers all of the risks and benefits arising from the ownership of that financial asset.

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

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(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 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, 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".

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Notes to the Consolidated Financial Statements

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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 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 O(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

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

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 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 with respect to 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

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

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.

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 transactions to peg the prices of 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 information, 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.

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

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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

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.

D. Cash and cash equivalents

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

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those projects, is presented in the statement of financial position under pledged deposits and restricted cash.

E. 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 3o.

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 3g.

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.

(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 operating data of photovoltaic systems and wind farms), taking into consideration the anticipated residual value at the end of the useful life.

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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:

	Useful life	% of depreciation	Depreciation method
A. Electricity production systems - wind energy	30 years	~3.33	Straight-line
B. Electricity production systems - photovoltaic energy (*)	10-35 years	~2.9-10	Straight-line
C. Office furniture and equipment	3-16 years	6-33	Straight-line
D. Software and IT	3 years	33	Straight-line

(*) A significant residual value was calculated for these facilities

F. 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 system maintenance and other expenses (in the amount of the reversal of impairment, if any) or other income (in the amount of the difference between the selling price and original cost), as applicable.

Green certificates which are subject to a sale agreement at a predetermined price (both in respect of wind farms in Poland, and in respect of photovoltaic systems in the United States) are recognized as inventory according to the price specified in the agreement.

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

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G. 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.

Other borrowing costs are recognized in profit or loss as incurred.

H. Liability for the costs of dismantling and removal of an item and rehabilitation of its location

The cost of a fixed assets item includes, inter alia, the costs of dismantling and removal of the item and the restoration of the site on which it is located, which give rise to a liability for the entity upon acquisition of the item or as a result of the use of the item over a specific duration, other than for the creation of inventory in such period.

After the date of initial recognition, changes in the estimate of the aforesaid liability until the end of the depreciation period of the item are added to or detracted from the property in the current period. Changes in the aforesaid liability due to the passage of time are recognized in profit or loss as financing expenses.

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I. 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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J. 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 in accordance with the fair value of the granted equity instrument, which takes into account market conditions. Such benefits are recognized as expenses in the income statement or capitalized to

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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).

K. 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.

L. 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.

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.

(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 others revenues or systems maintenance and others, in respect of the period when the certificates were sold. Impairment of green certificates appears under the item for systems maintenance and others, and reversal of impairment appears under the item for other income. 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 (with respect to 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 future sale price which was determined in the agreement.

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(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).

M. 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.

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

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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 added to right-of-use assets beginning from the application date of the standard.

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.

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 an expense in the statement of income during the period when the event took place, or when the condition for activating such payments was fulfilled.

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N. Financing income and expenses

Financing income comprises interest income on funds invested and changes in the fair value of financial assets 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 assets 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.

O. Initiation expenses

The Company recognizes in profit or loss all of the initiation expenses in respect of projects that it develops until the stage in which management believes the feasibility of construction of the project has been proven. Once the project becomes feasible, the development and construction costs are capitalized to the cost of the project. A project is considered feasible when Company management estimates that it is more likely than not that the project will be realized, and that economic benefits will be generated from it in the future (see Note 2f).

P. Taxes on income

(1) 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

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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.

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.

(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

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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, 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.

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.

Q. 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.

R. 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.

S. 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

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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.

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

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:

(1) 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 with respect to 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.

The Company believes that the adoption of the amendment is not expected to affect its financial statements.

(2) Amendment to IAS 12, Income Taxes (regarding deferred taxes with respect to 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 with respect to these temporary differences.

The amendment applies to annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted. The amendment will be adopted retrospectively with respect to 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.

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Note 4 - Cash and Cash Equivalents
A. Composition:

	As of December 31	As of December 31	
	2021	2021	2020
	%	NIS in thousands	
Balances in banks and money market funds		372,121	841,951
Short term bank deposits	0.01	202,989	119,765
		575,110	961,716

(*) Investment in short term NIS mutual 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 Pledged Deposits and Restricted Cash

	As of December 31	
	2021	2020
	NIS in thousands	
Short term pledged deposit (*)	30,433	643
Long term pledged deposit and restricted cash (**)	51,223	47,768
	51,223	47,768

(*) As of the Reporting Date, the short term balance of pledged cash includes restricted cash which was received from the Tax Partner in Virginia Projects 2. 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

	As of December 31	
	2021	2020
	NIS in thousands	
Balance of IEC customer	1,640	1,445
Income receivable from sales of green certificates in Poland and in the United States	9,378	5,357
Income receivable from IEC	6,274	9,074
Income receivable from the sale of electricity in Poland and in the	8,664	9,567
	<u>25,956</u>	<u>25,443</u>

Note 7 - Green Certificates

	As of December 31			
	2021		2020	
	NIS in thousands			
	Poland	USA	Total	Total
Opening balance	22,716	176	22,892	20,336
Production during the period	55,877	3,623	59,500	55,908
Sales during the period	(68,910)	(3,753)	(72,663)	(53,959)
Less - income receivable from sales of green certificates in Poland	5,353	433	5,786	3,998
Impairment	(397)	-	(397)	(721)
Effect of changes in exchange rates (*)	(754)	(438)	(1,192)	(2,670)
	<u>13,885</u>	<u>41</u>	<u>13,926</u>	<u>22,892</u>

(*) 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 with respect to other certificates in Israel and in Poland, where the revenues from their sale are in immaterial amounts
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 actual sale prices in 2021 and 2020 were PLN 164.34 and PLN 146.75, respectively. For details regarding transactions to peg the price of green certificates, see Note 9, section b(4)(b) and section b(4)(d)(1)(b).

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Note 8 - Receivables and Debit Balances
A. Short term

	As of December 31	
	2021	2020
	NIS in thousands	
Institutions	99,510	18,423
Suppliers of fixed assets	172	-
Derivative financial instruments	80,199	37,772
Prepaid expenses	4,617	2,136
Investee companies (*)	1,107	1,110
Others (**)	18,722	7,906
	<u>204,327</u>	<u>67,347</u>

(*) Represents current balances of owners' debit/credit. See also note 25f.

(**) Mostly includes a loan which was given to the Company's CEO in the amount of NIS 13 million. See Note 25.

B. Long term

	As of December 31	
	2021	2020
	NIS in thousands	
Derivative financial instruments	108,389	18,881
Loans to third parties (*)	6,741	5,778
Prepaid expenses	1,477	941
	<u>116,607</u>	<u>25,600</u>

(*) 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:

	Connected systems	Systems under construction and initiation	Other fixed assets	Total
	NIS in thousands			
<u>Cost</u>				
Balance as of January 1, 2021	1,887,527	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 (****)	(99,501)	(50,654)	-	(150,155)
Balance as of December 31, 2021	2,215,477	1,492,651	17,700	3,725,828
<u>Accumulated depreciation</u>				
Balance as of January 1, 2021	252,198	-	4,925	257,123
Deconsolidation (**)	(7,540)	-	-	(7,540)
Additions during the year	68,966	-	1,731	70,697
Derecognitions during the year	-	-	(262)	(262)
Effect of changes in exchange rate (****)	(13,979)	-	-	(13,979)
Balance as of December 31, 2021	299,645	-	6,394	306,039
<u>Amortized cost</u>				
Balance as of December 31, 2021	1,915,832	1,492,651	11,306	3,419,789

(*) For additional details regarding the acquisition of NCRE, see Section b(2)(e) below.

(*) For additional details regarding the sale of Meitarim project, see Section b(1)(b)2 below.

(***) Includes a total of approximately NIS 23,714 thousand in respect of borrowing costs which were discounted for systems under construction during the Reporting Period, 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. The changes in exchange rates were carried to a reserve for translation differences.

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	Connected systems	Systems under construction and initiation	Other fixed assets	Total
	NIS in thousands			
Cost				
Balance as of January 1, 2020	1,441,466	683,058	7,791	2,132,315
Additions during the year (*)	8,547	646,523	4,272	659,342
Reclassified from systems under construction to connected systems	509,196	(509,196)	-	-
Effect of changes in exchange rate (**)	(71,682)	(37,663)	-	(109,345)
Balance as of December 31, 2020	1,887,527	782,722	12,063	2,682,312
<u>Accumulated depreciation</u>				
Balance as of January 1, 2020	188,903	-	3,577	192,480
Additions during the year (***)	69,975	-	1,348	71,323
Effect of changes in exchange rate (**)	(6,680)	-	-	(6,680)
Balance as of December 31, 2020	252,198	-	4,925	257,123
<u>Amortized cost</u>				
Balance as of December 31, 2020	1,635,329	782,722	7,138	2,425,189

- (*) Includes a total of approximately NIS 16,923 thousand in respect of borrowing costs which were discounted for systems under construction, of which approximately NIS 15,910 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.
- (***) Of which, approximately NIS 8 million in respect of the replacement of panels in small and medium systems in Israel. For details, see Section b(1)(b)3 below.

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			Wind projects in Poland			Photovoltaic projects in the United States
	Medium and small projects (1)	Neot Hovav Project	Systems of the first competitive process	Systems of the Second Competitive Process	Banie Project 1+2	Hawa Project	Virginia Projects 1
Technology	Photovoltaic	Photovoltaic	Photovoltaic	Photovoltaic	Wind	Wind	Photovoltaic
Country	Israel	Israel	Israel	Israel	Poland	Poland	USA
Status	Commercially active since July 2010 - November 2015	Commercially active since December 2014	Commercially active since Q4 2018	Commercially active since Q4 2019 and since Q1 2020	Commercially active since December 2015 - June 2016	Commercially active since June 2016	Commercially active since the 2nd and 3rd quarters of 2020
Installed capacity	6.6MWp	37.5MWp	90MWp	62MWp	106MW	13.2MW	82MWp
% Legal ownership	74%	100%	97%	70%	100%	100%	58%
% effective stake (3)	74%	100%	97%	91%	100%	100%	100%
Revenue structure	20-year fixed tariff, CPI-linked. Tariff per 1KWh for 2021: NIS 0.22-0.55	20-year fixed tariff, CPI-linked. Tariff per 1KWh for 2021: NIS 0.648	23-year fixed tariff, CPI-linked. Tariff per 1KWh for 2021: NIS 0.202	23-year fixed tariff, CPI-linked. Tariff per 1KWh for 2021: NIS 0.199	Revenues from the sale of electricity and green certificates, based on the price on the Polish Power Exchange or in fixed price agreements.		Electricity - In accordance with the actual sale to the local electric company, in parallel with a 12 year price hedging transaction. Green certificates in accordance with the 12 year fixed price sale agreement
Depreciated cost	25	207	245	187	449	54	299

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Electricity production projects	Photovoltaic projects in Israel			Wind projects in Poland		Photovoltaic projects in the United States	
	Medium and small projects (1)	Neot Hovav Project	Systems of the first competitive process	Systems of the Second Competitive Process	Banie Project 1+2	Ilawa Project	Virginia Projects 1
Presented under balance sheet item	Connected electricity production systems, except for Granot, are presented under the item for investment in associates	Connected electricity production systems	Connected electricity production systems	Connected electricity production systems	Connected electricity production systems	Connected electricity production systems	Connected electricity production systems
Revenue in 2021	11.8	45.1	31.6	21.0	112.5	15.5	18.7
Revenue in 2020	11.0	44.5	31.5	19.1 (2)	135.3	12.9	6.7 (2)
Additional information	See Notes 9b(1)	See Note 9b(1)	See Note 9b(1)	See Note 9b(1)	See Note 9b(4)	See Note 9b(4)	See Note 9b(2)
Balance of project finance / balance of liability to the Tax Partner (4)	23	242	213	180	-	-	109

1) Including small and medium systems which are installed on the rooftops of Amot (a related party of the Company) in projects partnership 1 (capacity of 3.2MWp) and the Granot Partnership (capacity of 3.4MWp), which are presented in the Financial Statements according to their carrying amounts, and the sale of which was completed after the date of the Financial Statements (see Note 9(b)(1)(b)(1)). All other systems in the table are presented under the item for grid-connected electricity production systems. These figures do not include the Meitarim project, which was sold during the operating year. For additional details, see Note 9(b)(1)(b)(2)

2) Partial operating year. The facilities were connected in 2020.

3) The stake includes taking into account preferred shareholder's loans or preferred shares which were provided by the Company.

4) For details regarding the financing of the projects, see Note 14 below.

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Partially completed and partially connected projects

Presented below is a review of the projects which are included under the item for connected electricity production systems and electricity production systems in construction and initiation stages, as applicable, as of the Reporting Date (the figures are as of the Reporting Date, in millions of NIS, unless stated otherwise):

Electricity production projects	Photovoltaic projects in Israel		Wind projects in Poland		Photovoltaic projects in the United States
	Third competitive process	Fourth competitive process	Banie Stage 3	Sepopol	Virginia Projects 2
Total capacity	99MWp	38MWp	82MW	44MW	142MWp
Technology	Photovoltaic	Photovoltaic	Wind	Wind	Photovoltaic
Country	Israel	Israel	Poland	Poland	USA
Completed facilities	13 of 13 (99MWp)	3 of 4 (29MWp)	37MW (After the Reporting Date, construction of an additional 41MW concluded)	15MW (after the Reporting Date, construction of an additional 29MW concluded)	4 of 6 (91MWp)
Facilities which have been connected to the power grid	8 of 13 (52MWp) (after the Reporting Date, an additional 14MWp were connected)		15MW (after the Reporting Date, an additional 36MWp - were connected)		- 4 of 6 (91MWp)
Commercial operation completion date	First half of 2022	Second half of 2022	First half of 2022	First half of 2022	First half of 2022
% Legal ownership	70%	70%	100%	100%	117MWp - 100% 25MWp - 58%
% effective stake (2)	91%	91%	100%	100%	100%
Revenue structure	23-year fixed tariff, CPI-linked. Tariff per 1KWh for 2021: NIS 0.182	Sale to the Electric Corporation at a fixed, CPI-linked tariff of NIS 0.1798? per produced KWh, for 23 years after the date of commercial operation	During the first 5 years, most of the output will be at market prices (including price hedging transactions) Subsequently, and over a period of 11 years, a CPI-linked fixed tariff.		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 hedging transaction. Green certificates - 12-15 year fixed price sale agreement.

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Electricity production projects	Photovoltaic projects in Israel		Wind projects in Poland		Photovoltaic projects in the United States
	Third competitive process	Fourth competitive process	Banie Stage 3	Sepopol	Virginia Projects 2
Depreciated cost under the item for connected systems	148	-	-	-	293
cost under the item for systems under construction	123	80	270	135	114
Revenue in 2021 (1)	3.1	-	1.0	-	7.4
Additional information	See Note 9b(1)	See Note 9b(1)	See Note 9b(4)	See Note 9b(4)	See Note 9b(2)
Balance of project finance / balance of liability to the Tax Partner (3)		195	259	168	169

1) Partial operating year. The facilities were connected in 2021.

2) The stake includes taking into account preferred shareholder's loans or preferred shares which were provided by the Company.

3) For details regarding the financing of the projects, see Note 14 below.

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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	Banie Stage 4	Lubanowo	Projects under construction in Virginia (VA)
Technology	Wind	Wind	Photovoltaic	Photovoltaic
Country	Israel	Poland	Poland	USA
Status	Pre-construction	Under construction	Pre-construction	Pre-construction
Capacity	104MW	56MW	12MWp	185MWp
% Legal ownership	73%	100%	100%	With respect to 100MWp: 100% In respect of 85MWp: 58%. Share in results and in net cash flows - 100% (2)
% effective stake (*)	(***) 100%	100%	100%	100%
Revenue structure	Sale to the Electric Corporation at a fixed, CPI-linked tariff of 0.23-0.26 agorot per produced KWh, for 20 years after the date of commercial operation	During the first 3 years, most of the output will be at market prices (including price hedging transactions). Subsequently, and over a period of 13 years, a CPI-linked fixed tariff.	Sale on the market (including fixed price transactions) and/or CPI-linked tender price	Electricity - Long term agreement for sale, at a fixed price, to the Electric Corporation or to the end consumer, or sale to the Electric Corporation at market prices, in parallel with a long term hedging transaction. Green certificates - Long term sale agreement at a fixed price.
Cost as of the Reporting Date	147	82	-	84
Additional information	See Note 9b(5)	See Note 9b(4)	See Note 9b(3)	See Note 9b(2)

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(*) The stake includes taking into account preferred shareholder's loans or preferred shares which were provided by the Company.

(**) For details regarding project financing and the Tax Partner, as applicable, see Note 14 below.

(***) 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 with respect to 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

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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.

Land ties - The projects are being built on areas which are leased for periods of up to 25 years. As part of the above, in certain cases, the land owners are offered to actively participate as partners in the project, at a variable rate (as owners or as rights holders entitled to the project’s distributable cash flows), with the Company holding control of the projects.

Financing - The projects which are built by the Company as part of its activity in the 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, which are priced based on the construction cost plus a margin according to the standard practice in the industry. 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.

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(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 commercially active photovoltaic systems with a total capacity of 3.4MWp (Company's share: 1.7 MWp), in consideration of approximately NIS 25.4 million. Prior to the transaction date, the Granot Partnership was accounted for according to the equity method in the Financial Statements. As a result of the transaction, the Company is expected to record, in the Financial Statements for the first quarter of 2022, pre-tax profit in the amount of approximately NIS 18 million.
- 2) **Agreement for the sale of Meitarim project** - Further to Note 9b(1)(b)(2) to the annual reports for 2020, on June 3, 2021 the Company completed a sale transaction between it and Meshek Energy, for the sale of all of the Company's rights (i.e., its equity rights (50.1%) in the project partnership, as well as the Company's interests in a shareholder's loan which it provided to the project partnership) in Meitarim project - a commercially active project with a total capacity of 5MWp (the Company's share: 2.5 MWp), to Meshek Energy, in consideration of a total of approximately NIS 8 million. Accordingly, the Company recognized, during the Reporting Period, profit in the amount of approximately NIS 12.3 million, which was carried to the item for capital gains from the sale of a consolidated partnership, in respect of which tax expenses were recognized in the amount of approximately NIS 3 million.
- 3) **Replacement of panels in small and medium systems in Israel** - Due to defects which were identified during 2020 in panels that were installed around 10 years ago in a number of small and medium photovoltaic facilities which are owned by the Company, and at Granot Partnership, during 2020 the Company performed works to replace panels and upgrade the electricity production capabilities of those systems. The cost of the works is immaterial for the Company. However, in accordance with accounting principles, the Company recognized a write-off of the depreciated balance of the replaced panels as a non-recurring loss, which was carried to the item for depreciation expenses, in the amount of approximately NIS 8 million, as well as a total of approximately NIS 1 million, which was carried to the item for the Company's share in the results of associate companies and joint ventures (in respect of the Granot Partnership, which is accounted by the equity method) in 2020.

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(C) Additional details regarding projects in advanced stages of initiation in the Photovoltaic Segment in Israel

A. Ultra-high voltage project in advanced initiation stages with a capacity of approximately 90MWp

During the Reporting Period and until the Approval Date of the Report, the Company continued developing a ultra-high voltage photovoltaic project with a capacity of approximately 90MWp, which the Company has been promoting by virtue of a guaranteed tariff quota which it won, through the Israel Joint Venture, as part of the first competitive process which was published by the Electricity Authority for ultra-high voltage projects.

The project construction plan, which is being promoted by the National Infrastructure Committee, was approved, and after the Reporting Date it was presented for the discussion of objections.

Once connected to the power grid, the project will be entitled to a guaranteed, CPI-linked tariff, which was determined in the competitive process for ultra-high voltage projects. Until the connection date, the tariff is linked to various market indices (exchange rates and the consumer price index). The winning tariff in the tender is 15.6 agorot per produced KWh, for 23 years after the facility's date of commercial operation, depending on the completion of the project's construction by the first half of 2023. As of the publication date of the report, the linked tariff is 14.84 agorot per produced KWh.

As of the Reporting Date, the balance of the investment in the project is NIS 58 million.

B. Winning projects in the second competitive process (PV including storage capabilities) with a capacity of 180-200MWp

The Company is working to promote the development processes in respect 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 17.87 agorot), until December 29, 2045, depending on the completion of the construction of the facilities by virtue of this quota, by January 30, 2024.

(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).

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(A) General

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) which renewable energy electricity production projects are entitled to receive, based on a commitment to generate certain amounts, or based on actual generated amounts ("as generated"). 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. 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 are also eligible for tax benefits (ITCs - Investment Tax Credits) at a rate of 30%, decreasing to a rate of 10%, depending on the start and end dates of the construction works in the project. 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; however, as of the Reporting Date, the Company's project finance in the United States is implemented through engagements with tax partners only. 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. 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 is building in the United States.

(B) Additional details regarding projects in the commercial operation stage -

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. As part of the financial closing of projects (agreements to guarantee electricity prices and engagement with tax partner), the Company engaged in the following transactions:

- 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.

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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, which was used to finance the construction cost of Virginia Projects 1, which the Company provided, 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), the depreciation expenses for tax purposes with respect to the projects, and some of the project's distributable cash flows. For additional details regarding the agreement with the Tax Partner, see Note 14.

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).

(C) Additional details regarding partially completed and partially connected projects

Virginia Projects 2, with a capacity of approximately 142MWp: As of the Reporting Date, the construction has been completed and commercial operation has commenced in 4 of the 6 facilities out of this series of projects, with a capacity of 91MWp. Presented below is additional information regarding the status of financial closing (agreements to guarantee electricity prices and engagement with tax partner):

- 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 an agreement to peg electricity prices (with respect to 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, of which, as of the Reporting Date, and as of the Approval Date of the Report, a total of approximately USD 10 million is restricted until the fulfillment of conditions in connection with a facility which had not yet become commercially active, and a total of USD 44 million was used to repay costs of the construction of Virginia Projects 2, which the Company provided. The above was done 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), the depreciation expenses for tax purposes with respect to the projects, and part of the distributable cash flows from the projects. For details regarding the agreement with the Tax Partner, see Note 14.

For details regarding agreements to peg electricity prices and revenues from green certificate with respect to Virginia Projects 2, see Note 9b(2).

As of the Reporting Date, the Company recognized assets in the amount of NIS 407 million in respect of the projects referenced above in sections (b) and (c).

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(D) Additional details regarding projects under construction and in pre-construction as of the Approval Date of the Report -

- (1) The Company has a series of four projects in Virginia with a total capacity of 185MWp, which are in pre-construction. Out of this capacity, approximately 85MWp are under the US Venture, and approximately 100MWp are wholly owned (including by way of the Company's acquisition of projects from third parties). All of the projects have land ties, a power grid connection survey, and the main permits required to commence the construction works.
- (2) Project with a capacity of approximately 110MWp in Pennsylvania - Shortly before the Approval Date of the Report, the Company engaged in an agreement to purchase a project in pre-construction, for a total consideration of approximately USD 3.6 million. The completion of this purchase depends on the fulfillment of suspensory conditions, which is uncertain as of the Approval Date of the Report. Insofar as the purchase of this project is completed, the project has all of required permits for the commencement of construction, and a power grid connection agreement. The Company also intends to work on improving some of the permits, in order to maximize the project's electricity production capacity.

As of the Reporting Date, the Company has recognized assets in the amount of NIS 118 million with respect to projects under construction and/or in pre-construction, and has engaged in agreements to purchase the panels for them.

(E) Acquisition of a series of initiated projects in the photovoltaic and energy storage segment as part of the acquisition of NCRE

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.

As of the purchase date, NCRE has signed agreements for the provision of initiation service to projects under development which were sold to third parties ("**Third Party Projects**"), in respect of which NCRE anticipated additional revenue, if and insofar as the projects reach construction and/or commercial operation. In accordance with the NCRE acquisition transaction, the sellers will be entitled to receive 40% of the total revenues with respect to the third party projects, insofar as they are received.

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 as a business combination in the Financial Statements (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:

	USD in thousands	NIS in thousands
Cash	33,000	106,293
Less proceeds with respect to the sale of projects to third parties	(8,900)	(28,667)
Total transferred consideration	24,100	77,626

Net cash flows in the acquisition:

	USD in thousands	NIS in thousands
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 with respect to assets and liabilities:

	USD in thousands	NIS in thousands
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

(F) Promotion of projects in advanced stages of initiation in the Photovoltaic Segment in the United States:

As of the Reporting Date and as of the Approval Date of the Report, the Company is continuing work towards the completion of the development processes for projects in advanced stages of initiation in Virginia, including projects which the Company acquired from third parties, with a total capacity of approximately 500 MWp. Out of this capacity, approximately 66MWp is through the US Venture, and approximately 434MWp is wholly owned. For additional details regarding initiated projects in the United States and project purchase agreements, see Note 15.

(3) Project in pre-construction in the Photovoltaic Segment in Poland

During the Reporting Period, the Company began working on the development and advancement of 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. In accordance with the tender conditions, each of the facilities that has won the tender and will be built will be entitled, upon

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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.

As part of the above, the Company promoted a project which, as of the Approval Date of the Report, is in the pre-construction stages, with a capacity of 12MWp. A construction permit has been issued for the project, and the Company is working on securing all of the approvals and space on the grid to feed in the electricity which will be produced, if the project is eventually built.

As of the Reporting Date, it has engagement in an agreement to purchase the panels which are required for the construction of this project. As of the Reporting Date, the Company has recognized an asset in an immaterial sum with respect to this project.

(4) Projects in the Wind Energy Segment in Poland

As of the Approval Date of the Report, the Company's activity in Poland is wholly owned (100%).

(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's **commercially active projects** 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 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's projects under construction and in pre-construction won a guaranteed tariff tender for the production of electricity which was published by the Polish Electricity Authority, in accordance with the tariff tender-based arrangement. 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.

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 - Insofar as the Company chooses to finance the wind farms which it owns in Poland through project finance, such financing is provided on a non-recourse basis to the SPV's which hold the wind farms, at a rate of up to 80% of the projects' total construction cost. 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.

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(B) Additional details regarding projects in the commercial operation stage in the Wind Energy Segment in Poland

The Company holds two commercially active wind farms in Poland with a total capacity of 119MW (the Iława project and Banie projects 1+2)

(1) Agreement for the sale of electricity and green certificates

The project companies sell all of the electricity which is produced in the 2 commercially active wind farms to an electricity broker which is active in Poland. In accordance with the agreement, 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 sale of green certificates takes place on the green certificate exchange in Poland, according to their prices on the exchange, and also through future sale transactions at a predetermined price ("**Fixed Price Transactions**"), in which the Company engages, from time to time, with local brokers.

The Company's revenues from these transactions constitutes a part of the revenues from the sale of electricity and green certificates, as applicable.

As of the Approval Date of the Report, the Company has sale transactions to peg the price of produced electricity and green certificates, as follows:

(A) Transactions to peg the price of electricity (commercially active projects):

Year	Fixed rate out of total production (*)	Average price (**)
2021	86%	236
2022	86%	250
2023	86%	255
2024	86%	291

(*) The expected scope of electricity production in the Company's 2 commercially active wind farms as of the Reporting Date.

(**) Average price in PLN per 1MWh, before adjustments according to the actual production profile.

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(B) Transactions to peg the price of green certificates:

Year	Fixed rate out of total production (*)	Average price (**)
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.

(C) Additional details regarding partially completed and partially connected projects Banie 3 wind farm (82MW) and Sepopol wind farm (44MW)

The Company is approaching completion of construction works of 2 wholly owned wind farms with a total capacity of approximately 126MW (Sepopol and Banie 3), which won a guaranteed tariff tender for wind projects. 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. 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 the purpose of building the wind farms, the Company engaged with Vestas Ltd. in agreements regarding the purchase, construction and operation of the turbines which will be built in the projects, and signed agreements with the primary executing contractors for the construction of the 2 wind farms.

For details regarding the construction and connection status of these projects as of the Reporting Date and as of the Approval Date of the Report, see the project tables above. Accordingly, until the Reporting Date the Company recorded revenues from the sale of the electricity from turbines which were connected to the grid towards the end of 2021, in the total amount of approximately NIS 1 million.

As of the Reporting Date, the Company recognized properties under construction in the amount of around NIS 405 million.

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).

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(D) Additional details regarding projects under construction

Banie 4 project (56MW): After the Company engaged, in 2021, in agreements to purchase the required equipment (especially turbines), and in agreements with contractors and other suppliers, the Company is now executing construction works of another wholly owned wind farm, with a total capacity of approximately 56MW (Banie 4), which 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. 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.

- (1) **Acquisition of interests in the project:** In 2019 the Company acquired 68% of the ownership interests in the wind farm Banie 4, with a capacity of approximately 56MW, which is held through a special purpose entity, in exchange for the Company's undertaking to complete, at its own expense, the development of the wind farm, and the arrangement involving its connection to the grid.

During the second quarter of 2021, the Company acquired the minority partner's share in the special purpose company which holds the wind farm construction project. The consideration in the transaction amounts to a total of EUR 3.7 million (around NIS 14.5 million) in cash with respect to the partner's share and the repayment of past costs, plus a future amount which is subject to the future development and construction of additional wind turbines. Accordingly, as of the Reporting Date the Company holds, through subsidiaries, 100% of the wind farms and ownership interests in the project.

As of the Reporting Date, the Company recognized assets in the amount of approximately NIS 82 million in respect of these projects.

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).

(2) Engagement in fixed price transactions:

As of the Approval Date of the Report, the Company has executed transactions to peg the price of the electricity which is expected to be produced in the projects Sepopol, Banie 3 and Banie 4 during the years 2022-2024.

Presented below is the fixed price rate (according to the tender price and in fixed price transactions) out of the total scope of production:

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Year	Fixed rate out of total production	Average price (*)
2022 (**)	73%	264
2023	80%	297
2024	82%	339

(*) Average price in PLN per 1MWh, before adjustments according to the actual production profile.

(**) Price fixed at a rate of 73% of the total forecasted electricity production in the second half of 2022. The revenues from electricity production due to the expected acceleration of the timetable for grid connection are not fixed.

For additional details regarding initiated projects in the Wind Energy Segment in Poland, see Note 15b(2).

(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.

(5) Project in pre-construction in the Wind Energy Segment in Israel

Clean Wind Energy Project with a capacity of approximately 104MW

The Company holds 100% of the shares which confer management rights (including the appointment of all Board members) and 73% of the shares which confer rights to receive dividends in a private company which holds the initiation and development interests in respect of a project involving the construction of a wind farm in the Golan Heights, with a capacity of approximately 104MW (hereinafter: the “**Project Company**” and the “**Clean Wind Energy Project**”, respectively). For details regarding the arrangements under which the Company is promoting the Clean Wind Energy Project, see Note 15b(1).

The project was promoted as a national infrastructure project by the National Infrastructure Committee.

After the project construction plan was approved by the National Infrastructure Committee and by the government, during the Reporting Period and until the Approval Date of the Report the Company completed all steps required for the issuance of a

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building permit, including receiving approval from the Ministry of Defense and payment of a betterment levy, and a building permit for the project was given in February 2022. The Company is also preparing to fulfill the conditions which are required for the project's financial closing, and as part of the above, in December 2021, the project company signed a turbine purchase agreement for the project with one of the world's leading turbine providers, and signed agreements for the land solution and for clearing land mines vis-à-vis the Ministry of Defense.

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. As of the Approval Date of the Report, the legal proceedings are in the document discovery stage, after the Company filed a statement of defense in August 2021. In February 2022, shortly after the issuance of the building permit for the project, the plaintiffs filed a motion for a temporary injunction, similarly to the remedy requested in the claim which was filed in May 2021. In a hearing which was held in late February 2022, the Company rejected all of the objectors' assertions, and stated that, in light of the absence of any basis for the plaintiffs' claim, their bad faith and laches, and the fact that the damage is reversible and compensable, as compared with the damage which could be caused to the project, the motion should be dismissed. Based on the position of its legal advisors, the Company estimates that the petitioners' chances of receiving an injunction are low. As of the Approval Date of the Report, the Company is awaiting the judge's decision regarding the motion.

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.

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 a financial close. As of the Reporting Date, the balance of the investment in the project amounts to a total of approximately NIS 147 million, which is presented under the item for systems under construction and initiation, including a total of approximately NIS 11 million against a provision for a future payment, as stated above.

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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

	Land in Israel, including rooftops	Land in Poland	Land in the United States	Total
NIS in thousands				
Cost				
As of January 1, 2021	135,874	55,492	39,371	230,737
Linkage differences	(1,238)	1,691	-	453
Effect of changes in exchange rate	-	(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
Accumulated depreciation				
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, 2021	17,807	6,597	1,896	26,300
Depreciated cost as of December 31, 2021	164,514	81,693	44,965	291,172

	Land in Israel, including rooftops	Land in Poland	Land in the United States	Total
NIS in thousands				
Cost				
As of January 1, 2020	107,085	57,645	13,259	177,989
Linkage differences	-	1,648	-	1,648
Effect of changes in exchange rate	-	(3,801)	(2,790)	(6,591)
Additions	28,789	-	28,902	57,691
As of December 31, 2020	135,874	55,492	39,371	230,737
Accumulated depreciation				
As of January 1, 2020	4,475	2,268	-	6,743
Depreciation expenses	6,144	2,187	674	9,005
As of December 31, 2020	10,619	4,455	674	15,748
Depreciated cost as of December 31, 2020	125,255	51,037	38,697	214,989

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 (*)		Note reference
				2021	2020	2021	2020	
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. (Ilawa 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	-	100%	100%	100%	100%	9b(3)
Enertrag Krajnik Sp. Z.o.o (Banie Project 4)	Poland	Wind	8/2019	100%	68%	100%	68%	9b(3)
Energix US LLC	USA	Photovoltaic	-	100%	100%	100%	100%	9b(2)
Caden Energix LLC (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,	Israel	Photovoltaic	-	97%	97%	97%	97%	9b(1)

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				<u>The Company's legal</u>		<u>The Company's</u>		
				rate of ownership		effective stake (*)		
				Year ended December 31				
Limited Partnership								
Clean Wind Energy Ltd. (**)	Israel	Wind	09/2014	73%	73%	100%	100%	9b(4)
Solaer Energix Renewable Energies, Limited Partnership (the Joint Venture) (***)	Israel	Photovoltaic		- 70%	70%	91%	91%	9b(1)
Energix Tender 2, Limited Partnership	Israel	Photovoltaic	-	70%	70%	91%	91%	9b(1)
Solaer Energix Engineering, Limited Partnership	Israel	Photovoltaic		- 70%	70%	85%	85%	9b(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.

(**) The minority interests in the Clean Wind Energy Project have the right to participate in the provision of equity for the project. Exercising this right may reduce the Company's effective stake.

(***) Tender 2 and tenders 3-4 are wholly owned under the joint venture.

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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:

Name of loan recipient	Interest %	Balance of the loan as of December 31	
		2021	2020
		NIS in thousands	
Energix South Har Hevron, Limited Partnership	4.25%	-	4,218
Clean Wind Energy Ltd.	17%	63,203	32,341
Solaer Energix Renewable Energies Limited Partnership, and consolidated companies (*)	8%/10%	316,336	290,773
Energix Projects 2, Limited Partnership	8%/10%	67,462	68,854
Energix Renewable Energies Holding B.V (**)	0%	816,900	731,213
Energix US LLC and consolidated companies	0%/3%	1,066,652	650,658

(*) Solaer Energix Renewable Energies wholly owns Energix Tender 2, Limited Partnership, and Energix Tender 3-4, Limited 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

(A) 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 held a 50% stake in the partnership Granot Energix Solar Projects, which is accounted by the equity method. After the Reporting Date, the Company sold its entire stake in Granot Partnership. For details, see Note 9.

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Note 12 - Trade Payables

	As of December 31	
	2021	2020
	NIS in thousands	
Trade payables	113,252	100,484
Expenses payable (*)	42,003	38,013
Notes payable	6,009	303
	<u>161,264</u>	<u>138,800</u>

(*) As of the Reporting Date, the balance includes a total of approximately NIS 21 million with respect to expenses payable to construction providers with respect to Virginia Projects 2.

In respect of 2020, the balance includes a total of approximately NIS 64.5 million in respect of an undertaking to pay to the panel supplier.

Note 13 - Payables and Credit Balances

	As of December 31	
	2021	2020
	NIS in thousands	
Institutions	16,167	6,566
Related companies (*)	1,726	1,956
Payroll and related institutions, including short term benefits	5,464	4,780
Interest payable in respect of lease liabilities (**)	2,729	3,033
Liabilities in respect of hedging	10,971	4,452
Other payables and credit balances (***)	40,565	56,955
	<u>77,622</u>	<u>77,742</u>

(*) Current balances of owners' debit/credit vis-à-vis the parent company and related companies. For details, see Note 25a.

(**) For details regarding the adoption of IFRS 16, see Note 10.

(***) Mostly includes a provision for the payment of real estate tax in Poland. For details, see Note 30c. Also includes 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:

	Amount of credit facilities		Use of guarantee facility / letters of credit		Use of short term loan facility		Expiration date of credit facility
	As of December 31		As of December 31		As of December 31		
	2021	2020	2021	2020	2021	2020	
	NIS in thousands						
Credit facility from banking corporations	278,660 (*)	230,000	139,487	121,986	-	-	Until December 2022

(*) Of which, a total of USD 6 million (approximately NIS 18.7 million) from a banking corporation in the United States.

After the Reporting Date, the credit facilities were expanded to a total of NIS 360.9 million.

- B. Presented below is the distribution of balances by repayment dates:

<u>As of December 31</u>	<u>December 31</u>			<u>December 31</u>			
2021	2021			2020			
Annual interest rate	Current maturities and short term credit	Long term loans	Total	Current maturities and short term credit	Long term loans	Total	
%	NIS in thousands			NIS in thousands			
Loans from financial institutions	See section C below	54,138	797,493	851,631	46,006	659,171	705,177
Loan from foreign bank	See section C below	7,475	244,157	251,632	-	-	-
Total credit from banking corporations and other credit providers		61,613	1,041,650	1,103,263	46,006	659,171	705,177

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C. Presented below are details regarding the Group's project finance agreements as of December 31, 2021:

<u>Name of project</u>	<u>Neot Hovav</u>	<u>Projects 1 (*)</u>	<u>First competitive process</u>	<u>Second competitive process</u>	<u>Third and fourth competitive processes</u>
Lender	Consortium of institutional investors	Institutional entity and banking corporation	Institutional entity	Institutional entity	Institutional entity
Amount of loan / credit facility	NIS 370 million (NIS 290 million original facility and NIS 80 million financing expansion)	Total of NIS 80 million in several financing transactions	NIS 240 million	NIS 180 million (**)	Up to NIS 380 million (the financing facility amount has not yet been withdrawn)
Date of engagement in the financing agreement	December 2014	September 2013 - January 2016	September 2017	December 2018	December 2020
Date of provision of the financing	February 2015 original facility, September 2017 financing expansion	February 2014 - January 2016	In 2018	August 2019 - February 2021	For details, see Section d(2) below.
Balance of the loan as of 31/12/2021⁵	NIS 243.4 million	NIS 22.6 million	NIS 214.3 million	NIS 179.7 million	NIS 195.2 million**
Balance of the loan as of 31/12/2020⁵	NIS 260.6 million	NIS 53.2 million	NIS 220.3 million	NIS 174.7 million	-
Amortization schedule	Quarterly payments over 18 years	Quarterly or semi-annual payments (as applicable) 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
End of term of the loan	December 2032	December 2032	June 2040	June 2041	December 2043
Annual interest rate	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	1.6%, CPI-linked NIS
Restrictions on payments and distributions to equity holders	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
<u>Financial covenants:</u>⁶					
Reserves in minimum amount¹	6 months debt service (Approximately NIS 20.5 million)	6 months debt service ² (Approximately NIS 6.2 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 4.5 million)
Minimum annual ADSCR to debt ratio²	Higher than 1.1 (as of the Reporting Date: 1.35)	Higher than 1.1 (as of the Reporting Date: 1.36)	Higher than 1.1 (as of the Reporting Date: 1.33)	Higher than 1.1 (as of the Reporting Date: 1.67)	Higher than 1.08 (full year of activity not yet completed)
Minimum LLCR to debt ratio⁴	-	Higher than 1.1	-	-	1.08

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Name of project	Neot Hovav	Projects 1 (*)	First competitive process	Second competitive process	Third and fourth competitive processes
Collateral	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 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	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 in the projects which are the subject of the financing transaction, and the assets thereof.	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 in the projects which are the subject of the financing transaction, and the assets thereof.	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 in the projects which are the subject of the financing transaction, and the assets thereof.
Carrying amount of the charged asset in the accounts of the Project Company	NIS 221 million	NIS 55.1 million	NIS 266.1 million	NIS 207.2 million	NIS 351.4 million
Type of lien	First-ranking fixed lien	First-ranking fixed lien	First-ranking fixed lien	First-ranking fixed lien	First-ranking fixed lien
Reference to additional information	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 systems under construction, see Note 9b.

(**) After the Reporting Date an additional loan was taken out of the finance facility, in the amount of approximately NIS 50 million.

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Name of project	-	-
	Banie 3 & Sepopol	Banie 4
Lender	Consortium including EBRD and 2 European financial institutions	Consortium including EBRD and a local bank
Amount of loan / credit facility	Up to PLN 550 million (up to NIS 440 million)	Up to PLN 290 million (up to NIS 215 million)
Date of engagement in the financing agreement	June 2021	March 2022
Date of provision of the financing	Beginning in September 2021	-
Balance of the loan as of 31/12/2021⁵	258.8 NIS millions**	-
Balance of the loan as of 31/12/2020⁵		-
Amortization schedule	Semi-annual payments	Semi-annual payments
End of term of the loan	June 2038	December 2040
Annual interest rate	See section d (5)	See section d (6)
Restrictions on payments and distributions to equity holders	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
Financial covenants:⁶		
Reserves in minimum amount¹	6 months debt service, can be replaced with letter of bank credit	6 months debt service, can be replaced with letter of bank credit
Minimum annual ADSCR to debt ratio²	Higher than 1.1	Historical (HDSCR) higher than 1.05
Minimum LLCR to debt ratio⁴	Higher than 1.15	Higher than 1.15
Collateral	The financing was provided on a non-recourse basis, except with respect to 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 with respect to 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
Carrying amount of the pledged asset in the accounts of the Project Company as of December 31, 2021	NIS 404.7 million	NIS 82.0 million
Type of lien	First-ranking fixed lien	First-ranking fixed lien
Reference to additional information	For information regarding the system, see Note 9a.	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).

(**) After the Reporting Date an additional loan was taken out of the finance facility, in the amount of approximately NIS 50 million.

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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. The balance of the loan does not include a discount.
6. 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 secured by the SPV's assets and the rights thereto, excluding standard exceptions 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.
- (2) **Financing for systems of the second competitive process (62MWp - the winning photovoltaic projects in the second competitive process):**
Further to the details provided in the table in Section A above, in August 2019, the Company performed (through the Israel Joint Venture) a withdrawal in the amount of NIS 145 million, the use of which was made conditional on the fulfillment of all of the requirements for the financial closing of the projects. During 2020 the Company fulfilled all of the required conditions for the financial closing of the projects, and accordingly, the restriction on the use of this amount was lifted, and the remaining amount of the financing facility was withdrawn, for a total amount of NIS 180 million. In February 2021 the Company exercised its right, by virtue of the financing agreement, to increase the credit facility, and received additional financing by virtue of that financing transaction, in the amount of NIS 10 million.

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(3) Financing transaction in respect of projects with a capacity of up to 137MWp (third and fourth competitive processes)

Further to the details provided in the table in section A above, as of the Approval Date of the Report a total of NIS 245 million has been withdrawn, at an interest rate of 1.6%. 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.

(4) Engagement in transaction to finance the construction of the Clean Wind Energy Project 104MWp)

In May 2021 the Company, together with the project company, signed a non-binding memorandum of understanding for the receipt of financing from a leading financial institution in Israel for the construction of the project, at a total scope of up to NIS 680 million, whereby as of the Approval Date of the Report the Company is in advanced negotiations towards full closing of the financing agreement.

(5) Engagement in transaction to finance the construction of a wind farm in Poland - Banie Stage 3 (82MWp) and Sepopol (44MWp):

Further to the details provided in the table in section A, in June 2021 the project companies engaged with a consortium of 3 lenders - the European Bank for Reconstruction and Development (EBRD) and 2 leading European financial institutions, in an agreement for the receipt of financing for the construction of the projects in the total amount of up to PLN 550 million (up to approximately NIS 440 million). As of the Approval Date of the Report, the project company has withdrawn a total of approximately NIS 368 million out of the financing facilities. The interest rate is semi-annual Wibor (zero floor), plus a margin of 2.1-2.3. With respect to 70% of the loan amount, the Wibor interest rate will not exceed 2% for a period of 7 years (after the forecasted date of commercial operation), In accordance with the Wibor interest rate hedging transaction which the Company executed in October 2021.

For details regarding the accounting treatment of the cap transaction to hedge against interest rate changes, see Note 3c(4).

(6) Engagement in transaction to finance the construction of a wind farm in Poland - Banie Stage 4 (56MWp)

Further to the details provided in the table in section A, in March 2022 the Company signed, through a local subsidiary, with a consortium of two foreign lenders - the European Bank for Reconstruction and Development (EBRD) and a leading local financial institution, a project finance agreement for the construction of the project, in the total amount of up to PLN 290 million (up to NIS 215 million).

The loan interest is semi-annual Wibor (zero floor) plus a margin of 1.7%-2.4%

In light of the trend of rising inflation, and the raising of inter-bank interest rates in Poland, in November 2021 the Company engaged in a transaction to hedge the Wibor interest rate to a rate of up to 2%, in respect of 70% of the loan amount, for a period of 5 years (after the forecasted date of commercial operation), which will provide hedging against the interest rate, which will

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serve as the base interest rate in the financing transaction for the construction of Banie project stage 4.

For details regarding the accounting treatment of the cap transaction to hedge against interest rate changes, see Note 3c(4).

(7) Voluntary prepayment of financing for the Banie wind farm in Poland

In May 2016, the Company and the project company signed an agreement with a consortium of three financial institutions in Poland, regarding a project finance transaction for the Banie wind farm, by virtue of which financing was provided to the project company (the “Loan”). In December 2019, the Company performed a voluntary prepayment of the balance of the loan, in the total amount of approximately PLN 294.5 million (approximately NIS 268.7 million). On the loan repayment date, the Company recognized loss in the amount of approximately NIS 9 million, which was carried to the item for financing expenses, in respect of the immediate amortization of the balance of the deduction in respect of the loan, and carried to the statement of income the balance of the negative capital reserve in respect of cash flow hedges to peg the interest rate in connection with the loan.

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(8) Bonds

Liability certificate	Par value balance	Linkage base	Stated interest rate	Repayment terms	Effective interest rate	Carrying amount As of December 31, 2021	
						Current	Non-current
	NIS in thousands		%		%	NIS in thousands	
Series A	670,438	Unlinked	2.05%	Repayment of principal in 18 equal semi-annual installments	2.2%	74,493	594,595
Convertible bonds (Series B)	566,602	Unlinked	0.25%	Single payment of principal on August 1, 2027	1.91%	-	514,607

(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 4,250 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

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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 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.

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 539 thousand.

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E. Financial covenants

1. Covenants which, if not fulfilled, will grant the holders the right to demand the immediate repayment of the bonds:

As part of the issuance of bonds (Series A) and the convertible bonds (Series B), the Company undertook that so long as the bonds remain outstanding, it will fulfill the following financial covenants:

- In respect of the 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 1,511 million.
 - Ratio of solo net financial debt to solo net balance sheet - 29%.
 - Ratio of net consolidated financial debt, after deducting systems under construction and initiation, to adjusted EBITDA - (1.0).
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.
- 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

	<u>As of December 31</u>	
	<u>2021</u>	<u>2020</u>
	<u>NIS in thousands</u>	
Undertakings in connection with operational	8,447	8,495
Liabilities in respect of derivative financial	55,049	3,965
Undertaking to vacate and restore	21,269	15,758
	<u>84,765</u>	<u>28,218</u>

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G. Agreement with tax partner to finance the construction of projects in the United States

	As of December 31			
	2021		2020	
	NIS in thousands			
	Short	Long	Short	Long
Virginia 1	50,806	56,014	33,540	106,227
Virginia 2	35,463	130,704	-	-
	<u>86,269</u>	<u>186,718</u>	<u>33,540</u>	<u>106,227</u>

1. In September 2019 the Company entered into an agreement with Morgan Stanley, according to which Morgan Stanley will invest, depending on the Company's fulfillment of preconditions for investment, 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, and against income at a rate of 20%-30% of the project's distributable cash flows, during the period specified in the agreement. 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).
2. In May 2021, the Company signed a series of agreements for engagement with Morgan Stanley as the Tax Partner with respect to 5 of the 6 projects with a capacity of 115MWp, which constitute a part of the series of projects in Virginia Projects 2. During the Reporting Period, the Tax Partner invested in the project company in the amount of approximately USD 55 million. The Tax Partner's investments were made against the receipt of rights, according to the standard practice for transactions of this kind, mostly including the federal tax benefit (ITC), the depreciation expenses with respect to the projects, and a proportional share of the distributable cash flows from the projects. In the sixth project, the Company uses the tax benefits independently.

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Note 15 - Engagements and Additional Information Regarding the Company's Initiation and Development Activities

A. Details regarding initiation and development activities in the Photovoltaic Segment and regarding relevant engagements

(1) Energy storage activity:

The global energy storage market has grown significantly in recent years, including in the Company's operating territories, both in terms of renewable energy projects with integrated storage capabilities, and in terms of standalone energy storage projects.

This resulted from, inter alia, the pressure on the power grids and the need for stability, technological developments in energy production which require load balancing solutions throughout the hours of the day and night, and a general trend of falling battery prices (although prices have recently increased, due to excess demand for relevant raw materials).

In light of the foregoing, as part of the Company's strategic plans, the Company worked, during the Reporting Period and as of the Approval Date of the Report, on expanding and substantiating its 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 competitive process 2 for the construction of photovoltaic facilities with integrated storage capacity, the Company won a capacity of 80 MWac, plus storage capacity of 320MWh. As of the Approval Date of the Report, the Company is working to the promotion and development of projects which it will build as part of this process, with integrated storage capacity.

The Company also believes that the construction of storage farms will lead to an increase in supply and in the number of regions throughout Israel in which large systems can be built, and the Company is therefore focusing efforts on the development and expansion of collaborations in the Storage Segment for the construction of standalone storage projects, independent of any specific electricity production project.

- (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 5.5 GWh, which the Company is developing while considering several possible revenue models.

- (3) **In Poland** - The energy market allows several possible models, such as capacity commitments and energy market arbitrage. As of the Reporting Date, the Company is evaluating several possible models with the aim of optimally using its status as a distribution system operator (DSO), and the various renewable energy sources which are available to it.

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(2) **Activities involving the initiation of photovoltaic projects in Israel**

(A) Activities 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, activities are only being promoted through the activity of the Israel Joint Venture if they involve the promotion of projects which are being built and/or will be built under the quotas which the Company has won, through the Israel Joint Venture, during the period of joint activity. In parallel, 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.

1. 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.
2. So long as the joint venture agreement remains in effect, it was agreed that the construction of projects originating from the Israel Joint Venture,

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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 claims between the two parties, and the assertions which have been made between them. 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. The entrepreneurial company’s allegations are wholly rejected by the Company. During the Reporting Period, the various claims were consolidated into a single proceeding, and the Company is expected to file a statement of defense in the coming weeks.

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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.

(3) **Project initiation activities in the United States**

The Company works on the initiation of projects in the Photovoltaic Segment in the United States both independently and through a joint venture which it formed with a local entrepreneur for the promotion of projects in the Photovoltaic Segment in the United States, in which the Company holds 58% (the "US Venture" and the "Venture Agreement").

- (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 25MWp, and additional projects in various stages of initiation. For additional details, see Note 9b(2).

The portfolio was acquired against a payment in the total amount of USD 13 million (including by way of offsetting previous advance payments which the venture provided to the entrepreneur), depending on completing the transfer of all of the assets, and reaching financial closing in respect of the four projects in Virginia.

In accordance with the understandings between the parties, the Company's share in the venture, in the projects which it will hold, amounts to 58%, and the remainder

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will be held by the entrepreneur. 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. 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 agreements to peg the price of electricity and 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:

In parallel with the promotion of projects within the framework of the US Joint Venture, during the Reporting Period the Company significantly increased its series of projects in initiation stages by an additional capacity exceeding 4.7 GWp in photovoltaic projects, and 5.5GWh in projects in the Energy Storage Segment:

1. NCRE transaction - 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: On August 12, 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 details regarding the acquisition transaction and the accounting treatment thereof, see Note 9.

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.

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2. **Expansion of the series of projects in initiation stages:** During the Reporting Period, and especially during the period since the acquisition of NCRE, the Company increased, through its workforce in the United States, its series of projects in initiation stages in the United States, particularly involving the rights which were acquired in the NCRE transaction, in addition to initiated projects which were acquired in the transaction (all without additional payment in connection with the purchase transaction). As a result, the series of initiated projects in the PV and Storage Segment which are owned by the Company in the United States increased by significant additional capacity, such that, as of the Approval Date of the Report, the total scope of the Company's initiated projects in the United States amounts to around 5.7 GWp in PV, and over 5.5GWh in storage.

(C) 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 and development, both independently (100%) and through the US Venture, 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.

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(4) **Panel purchase agreement with First Solar:**

As part of the Company's routine panel purchasing activities, from time to time it 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.

1. In 2019 the Company acquired from First Solar panels for the Company's future projects in the amount of approximately USD 65 million, which it expects to use in order to maintain the ITC tax benefit rate at 30% (which, if not for the panel purchase, would have gradually decreased to 10%). The panels which were purchased are used by the Company for the construction of projects in the United States with an installed capacity of approximately 1GW, which will be entitled to an ITC tax benefit at a rate of 30%.

As of the Approval Date of the Report the Company has at its disposal additional panels worth approximately USD 55 million, which will be used for the construction of future projects in the United States with a capacity of approximately 800MWp, and to secure the projects' eligibility for an ITC tax benefit of 30%.

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2. On January 7, 2022, the Company entered into an agreement to purchase panels with a total capacity of 2GWp, and at a total cost of hundreds of millions of USD.

The panels were purchased in accordance with the Company's strategic plan, and guarantees an orderly and ongoing supply of panels to the Company until 2025, at attractive prices. The panels are intended to be used by the Company in the construction of photovoltaic projects with a total capacity of over 2GWp, which are currently in initiation stages, and which the Company believes will reach the construction stage during the years 2025-2023 (mostly in the United States). In accordance with the conditions for purchasing the panels, most of the payments with respect to the panels' cost will be paid shortly before the panels are received as part of the construction of the projects, insofar as they are built in practice, during 2025-2023.

B. Information regarding activities in the Wind Energy Segment and relevant engagements**(1) 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) Initiation activities in the Wind Energy and Photovoltaic Energy Segments in Poland

As part of the expansion of the Company's activity in Poland, the Company increased, through independent initiation or acquiring projects, its series of owned initiated projects for the construction of wind farms in Poland, to a total capacity of approximately 220MW, and for the construction of projects in the Photovoltaic Segment, to a total capacity of approximately 120MWp.

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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>Issued and</u>	
		<u>Ordinary shares of</u>	
		<u>NIS 0.01 par</u>	<u>NIS 0.01</u>
		<u>value</u>	<u>par value</u>
December 31, 2018	Closing balance	500,000,000	379,823,034
In January 2019	Private issuance of shares	-	22,000,000
In July 2019	Public issuance of shares	-	18,533,200
In 2019	Exercise of share options (series 3)	-	9,000
In 2019	Exercise of share options by employees	-	5,228,896
December 31, 2019	Closing balance	500,000,000	425,594,130
In January 2020	Public issuance of shares	-	20,860,400
In June 2020	Public issuance of shares	-	15,800,000
In July 2020	Increase of registered capital	500,000,000	-
In 2020	Exercise of share options (series 3)	-	11,107,973
In 2020	Exercise of share options by employees	-	9,166,247
December 31, 2020	Closing balance	1,000,000,000	482,528,750
In January 2021	Exercise of share options by employees	-	5,671,431
December 31, 2021	Closing balance	1,000,000,000	488,200,181

B. Share-based payment

For information regarding share options granted to the CEO, a corporate officer and employees of the Company in 2019-2021, 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 29, 2019, by virtue of which the Company raised capital (inter alia, through an issuance of shares and options) as specified below, as well as bonds and convertible bonds (see Note 14).
- (2) On January 14, 2020, the Company completed a capital raising through a public issuance of shares in the gross total of approximately NIS 240 million. The Company's issued and paid-up capital increased by around 20.86 million shares in the capital raising.
- (3) On June 22, 2020, the Company completed a capital raising through a public issuance of shares in the gross total of approximately NIS 232 million. The Company's issued and paid-up capital increased by around 15.8 million shares in the capital raising.
- (4) On January 12, 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.

D. Exercise and expiration of options

During the Reporting Period, 5,671 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 10,484 thousand (the exercise addition in respect of the employee options amounted to a total of NIS 3.26-12.07), 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 2021 the Company distributed dividends in the total amount of 18 agorot per share (approximately NIS 87 million).

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On March 10, 2022, the Board of Directors determined that the dividend for 2022 will amount to a total of 20 agorot per share, to be paid in 4 equal quarterly payments in the amount of 5 agorot per share, subject to a specific resolution of the Board of Directors in each quarter.

In accordance with the above, the Company announced a dividend distribution for the first quarter of 2022 in the amount of 5 agorot per share (approximately NIS 25.8 million), which will be paid in April 2022.

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Note 17 - Revenues from the Sale of Electricity and Green Certificates

	Year ended December 31		
	2021	2020	2019
NIS in thousands			
Sale of electricity from photovoltaic systems (Israel and the United States) (1)	133,543	112,459	89,835
Sale of electricity from wind farms in Poland	67,245	89,374	89,283
Sale of green certificates (2)	60,049	59,970	58,008
	<u>260,837</u>	<u>261,803</u>	<u>237,126</u>

1. Revenues from the sale of electricity also include revenues from the provision of capacity commitments.
2. Green certificates include green certificates in respect of the production of electricity in Poland, and beginning in 2020, also include renewable energy certificates from the production of electricity in the United States (renewable energy credits), which amounted to an immaterial sum during the Reporting Period. This item also includes revenues in an immaterial amount from the production of other certificates in Israel and Poland. For additional details, see Note 9.

Note 18 - Other Revenues, Net

	Year ended December 31		
	2021	2020	2019
NIS in thousands			
Profit from the sale of green certificates, beyond	5,569	542	1,129
O&M revenues in respect of small and medium systems	220	519	140
Miscellaneous revenues	-	205	164
	<u>5,789</u>	<u>1,266</u>	<u>1,433</u>

(*) 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.

Note 19 - System Maintenance and Other Expenses

	Year ended December 31		
	2021	2020	2019
NIS in thousands			
Maintenance and communication expenses	31,532	30,659	24,987
System insurance	1,863	1,627	1,310
Operation wages	4,745	3,387	1,925
Other	833	1,308	1,884
	<u>38,973</u>	<u>36,981</u>	<u>30,106</u>

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Note 20 - Payroll and Related Expenses

	Year ended December 31		
	2021	2020	2019
	NIS in thousands		
Payroll and related expenses (*)	14,949	11,854	7,169
Vehicle maintenance	550	374	227
Share-based payment (**)	5,018	2,806	4,709
	20,517	15,034	12,105

(*) For details regarding the terms of employment of the CEO of the Company, see Note 25c.

(**) For additional information, see Note 26.

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Note 21 - Initiation Expenses

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Including costs in respect of projects which have not yet met the conditions for discounting. For details regarding the capitalization policy, see Note 3o.

Note 22 - Administrative, Headquarters and Other Expenses

	Year ended December 31		
	2021	2020	2019
	NIS in thousands		
Management fees to the parent company (*)	5,765	5,075	4,809
Professional fees	7,331	5,501	3,891
Office and other (**)	6,921	4,056	2,890
	20,017	14,632	11,590

(*) 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

	Year ended December 31		
	2021	2020	2019
	NIS in thousands		
Exchange differences, net	-	2,400	-
Linkage differences, net	-	2,921	-
Interest on loans granted (*)	861	585	604
Interest on bank deposits, deposits and marketable	1,489	763	2,646
	2,350	6,669	3,250

(*) During the years 2020 and 2019, financing income arose in respect of a loan which was given to the Granot Partnership, which is accounted by the equity method, in the amount of NIS 30 thousand and NIS 149 thousand, respectively.

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Note 24 - Financing Expenses

	Year ended December 31		
	2021	2020	2019
	NIS in thousands		
Fees	1,589	1,315	1,080
Interest on loans	6,977	13,408	31,220
Exchange and linkage differences, net	17,049	-	3,992
Loss on the fair value revaluation of derivatives	2,238	58	-
Interest expenses in respect of bonds	19,129	12,032	384
Tax partner financing expenses	1,710	1,665	-
Financing expenses in accordance with IFRS 16	6	-	3,242
Other financing expenses (*)	1,257	1,763	9,940 (*)
	<u>49,955</u>	<u>30,241</u>	<u>49,858</u>

During the Reporting Period, borrowing costs were capitalized in the amount of approximately NIS 23,714 thousand for systems under construction, of which a total of approximately NIS 14,999 thousand was in respect of non-specific credit (in the years 2020 and 2019, credit costs were discounted in the amount of NIS 16,293 thousand and NIS 8,411 thousand, respectively). The discount rate for non-specific credit in 2021 was 2.6%. For additional information, see Note 3g.

(*) Includes a total of approximately NIS 9 million in respect of the voluntary prepayment of a project loan in Poland. For details, see Note 14d(7).

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

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the tenure is not renewed (or the identity is changed) of any directors on behalf of Alony Hetz, or if Mr. Nathan Hetz ceases serving as the Chairman of the Board, the foregoing will not constitute a breach of the management agreement.

Along with 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 annual amount of NIS 4,800 thousand per year, CPI-linked;
- (2) A variable amount which will be added to the fixed amount, in an amount equal to 0.18% 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;

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.

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(2) Engagement with Alony Hetz in forward transactions to hedge its exposure to foreign currency

Since 2017, following the approval which was given by the Board of Directors and the Audit Committee, in accordance with Regulation 1(5) of the Expedient Regulations, the Company has engaged, from time to time and in accordance with its needs, with Alony Hetz, the Company's controlling shareholder, in forward transactions to hedge its exposure to the USD/NIS exchange rate, or to other currency rates vis-à-vis the NIS, in order to hedge the Company's expected currency exposure, as part of the advancement of projects which the Company is promoting. This engagement is based on real time market quotes, and is subject to the total hedging limit for all transactions vis-à-vis Alony Hetz, in an amount which will not exceed USD 60 million per year.

In accordance with a resolution of the Company's Board of Directors 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, the Company's Board of Directors ratified the Company's engagement in an agreement for the sale of electricity to Amot (virtually), in accordance with the recommendation of the Audit Committee, which classified the transaction as insignificant. 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 2021 and 2020, the Company paid to Amot, within the framework of the lease agreement for the foregoing rooftops, a total of NIS 788 thousand and NIS 831 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

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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 2021 and 2020 amounted to approximately NIS 1,869 thousand and NIS 1,397 thousand, respectively.

(4) Agreement for the provision of rights of use to Alony Hetz, in respect of storage areas which the Company leases within the framework of a lease agreement with Amot (negligible transaction)

On November 21, 2016 (following the approval of the Audit Committee), the Company's Board of Directors confirmed it as a negligible transaction, and accordingly, the Company engaged with Alony Hetz in an agreement for the provision of usage rights to Alony Hetz, in respect of storage areas which the Company leases within the framework of the lease agreement with Amot, beginning on October 1, 2016 (on the same date, an engagement which was in effect until October 1, 2016, to allow cross-use of the office areas, was ratified).

(5) Purchase of crime insurance together with Amot and Alony Hetz (negligible transaction)

From time to time, the Company obtains crime insurance policies jointly with Alony Hetz and Amot, as a transaction of negligible scope which does not constitute an extraordinary transaction as defined in the Companies Law - 1999. The most recent renewal of this insurance policy was approved in August 2021 by the Company's Board of Directors, with the Audit Committee's recommendation, for a period of three years, provided that the terms of the engagement do not significantly change.

(6) 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.

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C. Engagement with the Company's CEO

Mr. Asa (Asi) Levinger, the Company's CEO, is employed in the Company under a signed employment agreement that is updated from time to time. In July 2019, according to the decisions of the Company's Compensation Committee and Board of Directors from June 2019, the Company's general meeting approved the new compensation package and the updated terms of employment of the Company's CEO. According to the terms of the compensation package, the employment terms of the Company's CEO, in effect for three years after July 1, 2019, are as follows:

- (1) The (gross) salary of the Company's CEO is NIS 98 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 98 thousand, plus fringe benefits, social benefits and a vehicle, his monthly employment cost will amount to a total of NIS 136 thousand (the "**Employment Cost**").
- (2) The Company's CEO will be entitled to an annual bonus cap in the fixed amount of 6 months of employment cost, beginning in 2019, where the actual amount of compensation will be performance-dependent, as part of the measurable component of the compensation plan. In addition, the Company's Board of Directors, with the recommendation of the Compensation Committee, has the power to grant an additional discretionary bonus to the Company's CEO of up to 3 months' employment cost, provided that the total annual bonus actually paid to the Company's CEO does not exceed 8 months' employment cost. It is hereby clarified that the annual bonus may be paid in cash or as equity compensation instead of cash.
- (3) The CEO will be entitled to a medium-term annual equity compensation in an amount equal to 3 months of salary cost, each year. The medium-term equity compensation will be granted under the option plan of the Company from 2014, which is based on annual allotment, vesting within two years and expiration at the end of 3 years.
- (4) Additionally, the long term equity compensation which was granted to the Company's CEO as part of the 2016 compensation package was extended for 3 additional years, beginning after the end of the first long term compensation period, with the required adjustments. 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 3,375 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 11.07, the options will be exercised through a cashless mechanism, conditional upon the achievement of a target share price of NIS 13.02 (reflecting a price which is double the share price prior to the Board of Directors' approval (subject to adjustments)).

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- (5) In March 2021, in accordance with the approval of the Company's general meeting from July 2019, the Company provided to the Company's CEO a loan for the payment of the tax liability with respect to the exercise of the second tranche of options - long term compensation from 2016, in the amount of approximately NIS 13 million, due in April 2022. In accordance with the meeting's approval, the loan bears interest at a rate of 3.26% (in accordance with section 3I of the Income Tax Ordinance).

The employment agreement of the Company's CEO expires on July 1, 2022, 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) in all of 2021 amounted to a total of approximately NIS 1,593 thousand.

Presented below are details regarding the bonuses which were given to the Company's CEO with respect to 2021, as approved by the Company's Compensation Committee and Board of Directors:

- (i) Information regarding the annual bonus for 2021, 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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Type of compensation	Bonus cap as per compensation plan and based on the employment agreement of the Company's CEO	Bonus cap for 2021 as per the resolutions of the Company's Compensation Committee and Board of Directors	Actual eligibility	Value in NIS	Actual grant
Component A of measurable bonus	6 months of salary cost. The annual cap and the weights in relation to each component is determined in advance by the Compensation Committee and the Board of Directors	1.8 months of salary cost (30% of 6 months)	5.01 months of salary cost	For the measurable component: Approximately NIS 682 thousand	The total bonus, in the amount of NIS 850 thousand, was converted to approximately 254 thousand options, which vested immediately.
Component B of measurable bonus		1.65 months of salary cost (30% of 6 months)			
Component C of measurable bonus		1.56 months of salary cost (40% of 6 months)			
Discretionary bonus	Up to 3 months employment cost, and total annual bonus of no more than 8 months employment cost (together with the measurable bonus). Determined shortly before the date of approval of the Financial Statements (retrospectively)	Up to 3 months of salary cost.	1.24 months of salary cost	Discretionary bonus: Approximately NIS 168 thousand	

(ii) As part of the equity compensation for 2021, approximately 169 options were allocated to the Company's CEO in April 2021, worth NIS 408 thousand, in accordance with the Company's options plan.

Additionally, the Company's Board of Directors, in its meeting on March 10, 2021, allocated to the Company's CEO approximately 122 thousand options, worth NIS 408 thousand, as part of the medium-term equity compensation for 2022.

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

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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 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 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, 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 236 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

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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.

(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, 2020, in the Reporting Period the Company has a E rating. Accordingly, during the Reporting Period, the fixed annual compensation was approximately NIS 89 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).

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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 July 30, 2019, 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 2020 - 2022, proximate to the approval of the Company's periodic annual report. The value of the options will be equal to 50% of the annual compensation which is paid to that director (excluding compensation for participation in the meetings of the Board of Directors and its committees), and the exercise period, exercise date, exercise price and other terms of the options will be determined in accordance with the Company's compensation policy and options plan which will be in effect at the time. It was also approved, in respect of a director who is entitled to equity compensation, that in case their first tenure commencement date occurs after equity compensation was already given to directors in that calendar year, but that date occurs more than 6 months before the date of the next expected annual allocation, the Company's Board of Directors will allocate to that director, upon their appointment, options according to the proportional part of the value of the options to which that director is entitled in that year, in accordance with their remaining period of tenure, from the date of their appointment as a director in the Company, until the next scheduled annual option allocation date.

Accordingly, on March 10, 2022, the Company's Board of Directors resolved to grant to Linda Ben Shushan, Alona Shefer Caro, Orna Hozman-Bechor and Meir Shani, approximately 43 thousand ordinary Company shares (around 14 thousand options each), worth a total of approximately NIS 182 thousand, in accordance with the Company's options plan from March 2014.

(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 (19.95% 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 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

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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 Umatará”, 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 Umatará”, 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.

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- E. **Benefits to key management personnel of the Company who are employed in the Group (with the exception of directors' fees and share-based payment, all amounts pertain to the Company's CEO, CFO, VP Legal and Company Secretary, VP Business Development and VP Engineering)**

	<u>Number of recipients</u>			<u>Year ended December 31</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
				<u>NIS in thousands</u>		
Directors' fees	4	3	3	531	355	407
Short term employee benefits	5	5	6	4,249	3,923	4,275
Post-employment benefits	5	5	6	805	745	788
Share-based payment	5	5	6	2,341	2,462	4,447
				<u>7,926</u>	<u>7,485</u>	<u>9,917</u>

The total sum paid by the Company for internal audit services in 2021 amounted to NIS 48 thousand, in respect of internal audit services which were provided to the Company during the year (in the years 2020 and 2019, the Company's expenses for internal audit services amounted to a total of NIS 75 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.

- F. **Additional information regarding balances and transactions with related parties**

(1) **Balances with related parties**

	<u>As of December 31</u>	
	<u>2021</u>	<u>2020</u>
	<u>NIS in thousands</u>	
Current assets		
Receivables and debit balances - Granot Partnership	<u>1,107</u>	<u>1,110</u>
Liabilities		
Trade payables and other payables and credit balances (Amot Investments)	<u>52</u>	<u>584</u>
Trade payables and other payables and credit balances - other related companies	<u>156</u>	<u>146</u>
Trade payables and other payables and credit balances (Alony Hetz)	<u>1,534</u>	<u>1,245</u>
Accrued expenses - directors' compensation	<u>189</u>	<u>100</u>
Lease liability (Amot Investments)	<u>16,152</u>	<u>18,003</u>
Lease liability (Carr Properties)	<u>917</u>	<u>791</u>

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(2) Transactions with related parties

	Year ended December 31		
	2021	2020	2019
	NIS in thousands		
Interest and depreciation expenses in respect of lease liabilities from a related party (*)	1,601	2,368	-
Expenses in respect of management fees to the parent company	5,765	5,075	4,811
Expenses for directors' compensation	531	355	407
Financing income received from a limited partnership	-	-	30
Revenues from operation services to a limited partnership	226	140	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, 2021

	Number of recipients	Number of granted options	Of which to the CEO	Of which to corporate officers	Economic value on grant date, NIS in thousands	Balance of options as of the Reporting Date	Exercise addition per option in NIS (*)	Expiration date
2016 (**)	1	15,682,636	15,682,636	-	5,400	5,227,545	4.66	21/03/2021-21/03/2022-17/04/2022-
2019	48	6,252,000	1,324,000	2,000,000	4,578	3,238,449	5.16-7.94	2/12/2022-19/06/2024-
2019 (***)	1	4,593,150	4,593,150	-	3,375	4,593,150	10.73	19/06/2026-25/02/2023-
2020	62	3,536,000	950,000	1,261,000	5,394	3,156,000	11.54	30/06/2023-18/04/2024-
2021	77	2,680,937	551,843	904,927	4,032	2,495,386	12.07	18/04/2023

(*) The exercise addition for options in NIS is after price adjustments in respect of the dividends which were distributed during the years 2016 and 2021.

(**) Long term plan for the Company's CEO. For additional details, see Note 25c. The options will vest in 3 tranches: 2/3 of the options (first and second tranches) will expire on March 21, 2021, and the remaining options (the third tranche) will expire on March 21, 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.

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:

Plan	2017⁽³⁾	2018⁽³⁾	2019⁽³⁾	2019⁽⁴⁾	2020⁽³⁾	2021⁽³⁾
Share price (in NIS)	2.60	3.34	5.73	6.51	10.7-14.5	11.26-11.26
Exercise price (NIS)	2.81	3.60	6.19	11.07	11.85-15.66	12.25-12.249
Weighted expected volatility (1)	24.80%	22.83%	22.91%	27.10%	25.5%-31.8%	35.2%-35.2%
Average life of the options (in years) (2)	2.83-3.08	2.83-3.08	2.83-3.08	4-6	2.83-3.08	2.83-3.08
Risk-free interest rate	0.62%-0.70%	0.44%-0.48%	0.71%-0.77%	1.12%	0.12%-0.33%	0.25%-0.27%
Expected dividend rate (6)	-	-	-	-	-	-
Total benefit (NIS in thousands)	1,956	2,537	4,578	3,375	5,394	4,032
Amortized amount (NIS in thousands) (5)						
In 2021	-	-	267	687	1,344	3,381
In 2020	-	172	954	689	1,754	-
In 2019	375	610	645	392	1,500	-
In 2018	562	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, based on their positions in the Company and the Company's past experience concerning 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 by resolution of the Company's Board of Directors.
- (4) Long term plans for the Company's CEO, which were granted in 2016 and in 2019. 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:

	2021		2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance as of January 1	8,987,000	8.07	11,563,620	4.55
Granted during the year	2,680,937	12.11	3,536,000	11.77
Forfeited during the year	(598,131)	10.11	(159,000)	8.55
Exercised during the year	<u>(2,179,971)</u>	4.93	<u>(5,953,620)</u>	3.41
Balance as of December 31	<u>8,889,835</u>	9.92	<u>8,987,000</u>	8.07
Options exercisable as of December 31	<u>8,465,994</u>	4.74	<u>4,084,000</u>	7.19
Anticipated consideration from the exercise of the outstanding options as of December 31 (NIS in thousands)	<u>88,178</u>		<u>72,519</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 20.3 million options through a cashless mechanism, which were granted to the Company's CEO in the years 2016 and 2019, as part of the long term compensation plan. For additional information regarding the compensation plan, see Note 25c.

Note 27 - Earnings (Loss) Per Share

	Year ended December 31		
	2021	2020	2019
	NIS in thousands		
Profit attributable to the holders of ordinary shares			
Profit for the year used in calculating basic and diluted loss per share	<u>79,319</u>	<u>77,209</u>	<u>62,831</u>
Weighted average number of ordinary shares used in computing the basic and diluted earnings per share from continuing operations			
Balance at beginning of year	482,528,750	425,594,130	379,823,034
Effect of shares issued in the period (*)	<u>3,925,620</u>	<u>37,200,221</u>	<u>31,924,651</u>
Weighted average for the year ended December 31	<u>486,454,370</u>	<u>462,794,351</u>	<u>411,747,685</u>
Dilutive effect of options which were issued during the	<u>7,273,965</u>	<u>15,031,638</u>	<u>10,979,156</u>
Diluted weighted average for the year ended December 31	<u>493,728,335</u>	<u>477,825,989</u>	<u>422,726,841</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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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

Country	Corporate tax rate	Remarks
Israel	23%	
Poland	19%	Withholding rate of tax at source on interest payments - 5% (subject to certain conditions)
Netherlands	15%-25%	
Luxembourg	24.94%	
USA	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)

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Current and deferred taxes for the Reporting Period are calculated according to the tax rates presented in the above table.

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).

Regarding projects whose construction began in 2019, and which will be completed by the end of 2025, the tax credit rates will be 30% of the construction costs (which are recognized for the purpose of receiving the benefit).

Regarding photovoltaic systems the construction of which began after the end of 2019 - the tax benefit percentages will be reduced gradually, beginning in early 2020, as follows:

- Projects whose construction began in 2020-2022, and which will be completed by the end of 2025 - 26%
- Projects whose construction began in 2023, and which will be completed by the end of 2025 - 22%
- Projects whose construction began after the end of 2023, or projects whose construction began before then, but were completed after the end of 2025 - 10%.

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 the Group's purchase of solar panels in the amount of approximately USD 65 million, for projects which it intends to build in the coming years, and which are expected to result in its eligibility for a tax benefit (ITC) at a rate of 30% of the construction cost of those projects, subject to the fulfillment of certain conditions, see Note 9b(2).

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

	Year ended December 31		
	2021	2020	2019
	NIS in thousands		
Current tax expenses			
For the current year	28,792	13,201	4,274
	<u>28,792</u>	<u>13,201</u>	<u>4,274</u>
Deferred tax expense (income)			
Creation and reversal of temporary differences	9,088	6,877	13,498
Reversal of amortization of deferred tax assets	(14,693)	5,137	(350)
	<u>(5,604)</u>	<u>12,014</u>	<u>13,148</u>
Total tax on income expenses	<u>23,188</u>	<u>25,215</u>	<u>17,422</u>

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E. Deferred taxes

Balances of deferred taxes as of December 31, 2021 and 2020 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, 2021 and 2020:

2021	As of December 31, 2020	Amount carried to profit or loss	Amount carried directly to equity	As of December 31, 2021
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	<u>(45,608)</u>	<u>5,604</u>	<u>(23,053)</u>	<u>(63,058)</u>
Deferred tax liability in the statement of financial position as of December 31, 2021				<u>(107,218)</u>
Deferred tax asset in the statement of financial position as of December 31, 2021				<u>44,083</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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2020	As of December 31, 2019	Amount carried to profit or loss	Amount carried directly to equity	As of December 31, 2020
Carryforward tax losses	54,315	(7,680)	(408)	46,227
Initial adoption of IFRS 16	316	-	-	316
Electricity production systems	(80,609)	(21,872)	-	(102,481)
Financial instruments	1,113	-	(12,210)	(11,097)
Employee benefits	313	34	-	347
Deferred revenues	(5,613)	334	-	(5,279)
Projects in the United States (*)	-	9,698	-	9,698
Investment in investee	(21,106)	(8,612)	-	(29,718)
Other	8,374	(3,659)	-	4,715
Unrealized gains on inter- company transactions	21,920	19,743	-	41,663
Balance of deferred tax asset	<u>(20,977)</u>	<u>(12,014)</u>	<u>(12,618)</u>	<u>(45,608)</u>
Deferred tax liability in the statement of financial position as of December 31, 2020				<u>(56,317)</u>
Deferred tax asset in the statement of financial position as of December 31, 2020				<u>10,709</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:

	Year ended December 31		
	2021	2020	2019
	NIS in thousands		
Pre-tax profit (including equity)	71,567	91,737	80,394
Adjustment for profit in respect of income from tax partner	30,825	11,299	-
Total	102,393	103,036	-
Primary tax rate of the Company	23%	23%	23%
	<u>23,550</u>	<u>23,698</u>	<u>18,491</u>
Tax increment (saving) in respect of:			
In respect of subsidiaries operating outside of Israel	(1,475)	(2,425)	(2,045)
Non-deductible expenses	1,187	669	744
Update to deferred taxes in respect of carryforward losses	-	1,819	(1,735)
Interest income and expenses in respect of inter-company transactions	-	-	(6)
Other differences	9	1,454	552
	<u>(362)</u>	<u>1,517</u>	<u>(1,069)</u>
Income tax expense (income) from continuing operations	<u>23,188</u>	<u>25,215</u>	<u>17,422</u>
Effective tax rate	<u>23%</u>	<u>24%</u>	<u>22%</u>

G. Unrecognized deferred tax liabilities

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As of December 31, 2021 and 2020, 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 2014. 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 2013. The Company has a final income tax assessment in respect of deductions up to and including 2017.

I. Carryforward losses

As of the Reporting Date, the Company has carryforward loss (from a business) in Israel in the amount of approximately NIS 67 million.

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.

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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 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 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.

Following the initial adoption of IFRS 16 and the amendment to IAS 23, the Company's Chief Operating Decision Maker continues reviewing the segmental results after neutralizing the effects of these standards, rent payments are presented as operational rental expenses (and not as depreciation expenses and financing expenses), and without discounting non-specific borrowing costs for systems under construction. As a result, the adjustments due to the cancellation of the impact of the foregoing standards on the segmental results 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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Note 29 - Data 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)
Profit (loss) before financing, taxes, depreciation and amortization	89,963	14,515	104,337	(110)	208,705	(32,156)	10,189	186,738
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)
Profit (loss) before taxes on income	28,026	(4,089)	74,928	(182)	98,683	(44,192)	15,757	70,247
Taxes on income	-	-	-	-	-	(23,188)	-	(23,188)
Tax income from the Tax Partner Company's share in the results of associates	-	-	-	-	-	1,320	-	1,320
Net profit (loss)	28,026	26,736	74,928	(182)	129,508	(66,060)	15,757	79,204
Assets of reportable segments and other operations	1,073,699	1,165,451	998,808	146,981	3,384,939	-	325,122	3,710,061
Other amounts	446,908	188,607	318,497	19,977	973,989	99,005	-	1,072,994
Total consolidated assets	1,520,607	1,354,058	1,317,305	166,958	4,358,928	99,005	325,122	4,783,055
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
Total consolidated liabilities	873,660	386,407	718,116	92,743	2,070,926	902,672	296,208	3,269,806

(*) Projects in construction and advanced stages of initiation.

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Note 29 - Information Regarding Operating Segments (Cont.)

Year ended December 31, 2020

	Photovoltaic				Wind		Total reportable segments	Unallocated expenses	Adjustments	Total consolidated
	USA		Israel		Poland	Israel				
	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)
Profit (loss) before financing, taxes, depreciation and amortization	88,674	3,364	123,190	(445)			214,783	(26,702)	7,697	195,778
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)
Profit (loss) before taxes on income	25,089	(3,981)	92,990	(534)			113,564	(31,422)	9,736	91,878
Taxes on income	-	-	-	-			-	(25,215)	-	(25,215)
Tax income from the Tax Partner	-	11,299	-	-			11,299	-	-	11,299
Company's share in the results of associates	-	-	-	-			-	(141)	-	(141)
Net profit (loss)	25,089	7,318	92,990	(534)			124,863	(56,778)	9,736	77,821
Assets of reportable segments and other operations	909,805	764,682	698,243	43,922			2,416,652	-	225,093	2,641,745
Other amounts	160,243	220,052	123,461	6,911			510,667	658,597	-	1,169,264
Total consolidated assets	1,070,048	984,734	821,704	50,833			2,927,319	658,597	225,093	3,811,009
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
Total consolidated liabilities	718,399	277,653	334,676	11,465			1,342,193	661,229	220,116	2,223,538

(*) Projects in construction and advanced stages of initiation.

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Note 29 - Information Regarding Operating Segments (Cont.)

	Year ended December 31, 2019							
	Photovoltaic		Wind		Total reportable segments	Unallocated expenses	Adjustments	Total consolidated
	Israel	USA (*)	Poland	Israel (*)				
	NIS in thousands (Audited)							
Revenues from the sale of electricity	92,705	-	89,285	-	181,990	-	(2,872)	179,118
Revenues from the production of green certificates	-	-	58,516	-	58,516	-	(508)	58,008
Other revenues, net	139	-	1,294	-	1,433	-	-	1,433
Maintenance, initiation, general and administrative expenses	(15,777)	(14)	(25,536)	(275)	(41,602)	(21,938)	9,362	(54,178)
Profit (loss) before financing, taxes, depreciation and amortization	77,067	(14)	123,559	(275)	200,337	(21,938)	5,982	184,381
Depreciation and amortization	(28,727)	-	(24,360)	(113)	(53,200)	(876)	(4,408)	(58,484)
Financing expenses, net	(22,700)	-	(23,715)	-	(46,415)	867	(1,060)	(46,608)
Profit (loss) before taxes on income	25,640	(14)	75,484	(388)	100,722	(21,947)	514	79,289
Taxes on income	-	-	-	-	-	(17,422)	-	(17,422)
Company's share in the results of associates	-	-	-	-	-	-	1,105	1,105
Net profit (loss)	25,640	(14)	75,484	(388)	100,722	(39,369)	1,619	62,972
Assets of reportable segments and other operations	761,993	468,873	675,654	36,304	1,942,824	-	174,194	2,117,018
Other amounts	242,789	44,102	75,127	6,272	368,290	67,485	-	435,775
Total consolidated assets	1,004,782	512,975	750,781	42,576	2,311,114	67,485	174,194	2,552,793
Liabilities of reportable segments and other operations	743,960	129,332	311,131	11,474	1,195,897	185,495	170,219	1,551,611
Total consolidated liabilities	743,960	129,332	311,131	11,474	1,195,897	185,495	170,219	1,551,611

(*) Projects in construction and advanced stages of initiation.

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Notes to the Consolidated Financial Statements

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.

- 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(2)(b) above.
- 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) above.

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 5.3 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 128 million. As of the Approval Date of the Report, the Company has guarantees of this kind in the amount of approximately NIS 122.1 million.

- (2) For information regarding restricted deposits, see Note 5.

C. Provision for RET (real estate tax) in Poland

Since 2018 the Company has recognized a provision with respect to 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.

The Company believes that its provision is sufficient, and that this 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.

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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);

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The Group's risk management plan focuses on activities to reduce possible negative effects of the Company's exposures to financial risks on the Group's equity, operating results and cash flows. The Company's CEO and CFO are responsible for risk management, and risk management activities are performed as part of the Group's routine activities. As part of the overall risk management of the Group, the Company's Board of Directors has determined that the CEO of the Company will regularly report to the Chairman of the Board of Directors on the existing level of exposure. In the event of extraordinary developments in the currency and interest markets, they review the data, from time to time, the modes of operation in the derivatives market are reviewed in order to hedge interest rate and currency risks.

Presented below are risks pertaining to the financial instruments and the management thereof:

(1) Credit risks

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables as well as from loans granted to third parties.

The overall theoretical exposure to credit risk as of December 31, 2021 amounts to approximately NIS 34,612 thousand (2020: 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

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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.

(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

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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.

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, 2021						
	Interest rate	Carrying amount	Projected cash flows	Up to one year	1-3 years	Over 3 years
	%	NIS in thousands				
Trade payables, other payables and credit balances	-	193,425	193,425	193,425	-	-
Hedging financial instruments	-	66,020	66,020	11,024	15,653	39,344
Long term liabilities	-	8,447	8,448	-	5,912	2,536
Lease liability according to IFRS 16	6.28%-3.28% Linked	281,007	329,182	15,490	28,360	285,332
Bonds (Series A)	2.05%	674,398	737,980	86,827	171,997	479,156
Convertible bonds (Series B)	0.25%	518,939	574,851	1,333	2,667	570,852
Long term loans from financial institutions in Israel (*)	Linked, 1.95%- 4.6%	855,191	1,041,132	76,198	151,530	813,404
Liability in respect of agreement with the Tax Partner (**)	7.69%	100,393	121,185	16,712	26,380	78,093
Long term loans from financial institutions in Poland (*)	2.27%+WIBOR 6M	258,801	386,617	20,666	43,955	321,996
		2,956,621	3,458,840	421,675	446,453	2,590,712

As of December 31, 2020						
		Carrying amount	Projected cash flows	Up to one year	1-3 years	Over 3 years
		NIS in thousands				
Trade payables, other payables and credit balances	-	188,013	188,013	188,013	-	-
Hedging financial instruments	-	8,417	8,417	4,452	(689)	4,654
Long term liabilities	-	8,495	8,494	-	5,611	2,883

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		As of December 31, 2020				
		Carrying amount	Projected cash flows	Up to one year	1-3 years	Over 3 years
		NIS in thousands				
	6.28%- 3.37% Linked	202,283	367,687	14,147	29,651	323,889
Lease liability according to IFRS 16						
Bonds (Series A)	2.05%	427,478	477,867	8,763	111,061	358,043
Convertible bonds (Series B)	0.25%	455,590	508,632	1,132	2,500	505,000
Long term loans from financial institutions (*)	2.5%- 4.6%, linked	708,749	880,530	67,303	133,161	680,066
Liability in respect of agreement with the Tax Partner (**)	7%-8.5%	24,708	34,904	8,109	11,253	15,542
		<u>2,023,733</u>	<u>2,474,544</u>	<u>291,919</u>	<u>292,548</u>	<u>1,890,077</u>

(*) 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 3,459 million. Company management estimates that the liquidity risk is low, since the cash flows which are expected to arise for the Company from 2021 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 current 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.

As of the Reporting Date, the Company has hedging transactions in the amount of approximately PLN 590 million, and a cross currency swap in the amount of approximately PLN 300 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 207 million, as well as a cross currency swap in the amount of approximately USD 75 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.

The hedges are executed through the purchase of various hedging instruments, such as forward transactions.

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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, 2021:

Date of settlement	Type of transaction	Sale	Foreign currency	Purchase	Foreign currency	Average exchange rate	Fair value	Type of settlement
		<u>Thousands</u>		<u>Thousands</u>			<u>NIS in thousands</u>	
Derivatives designated as hedging components:								
Short term	Forward	540,000	PLN	461,514	NIS	0.85	50,307	Gross
Long term	Forward	50,000	PLN	36,240	NIS	0.72	376	Gross
Short term	Forward	157,000	USD	517,485	NIS	3.29	29,892	Gross
Long term	Forward	50,000	USD	155,835	NIS	3.12	1,963	Gross

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:

	As of December 31, 2021		
	Increase of 5%		Decrease of 5%
	Profit and loss / comprehensive income	Carrying value	Profit and loss / comprehensive income
NIS in thousands			
Foreign currency sensitivity - 5% change			
In EUR:			
Cash and cash equivalents	2,557	51,137	(2,557)
Trade payables, other payables and credit	(194)	(3,884)	194
In PLN:			
Cash and cash equivalents	2,742	54,849	(2,742)
Trade receivables, other receivables and	722	14,434	(722)
Long term pledged deposit and restricted	5	101	(5)
Hedging financial instruments - forward	(22,758)	50,684	22,758
Cap option	1,785	49,094	(1,785)
Hedging financial instruments - CCS	(11,603)	55,566	11,603
Lease liability	(4,265)	(85,296)	4,265
Trade payables, other payables and credit	(1,502)	(30,047)	1,502
In USD:			
Cash and cash equivalents	7,299	145,987	(7,299)

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As of December 31, 2021

	Increase of 5%	Carrying value	Decrease of 5%
	Profit and loss / comprehensive income		Profit and loss / comprehensive income
Trade receivables	180	3,609	(180)
Pledged deposit	1,662	33,232	(1,662)
Trade payables, other payables and credit	(2,420)	(48,404)	2,420
Liability in respect of agreement with Tax	(5,020)	(100,394)	5,020
Lease liability	(2,313)	(46,253)	2,313
Hedging financial instruments - forward	(32,167)	31,855	32,167
Hedging of electricity prices in the United	(3,286)	(65,773)	3,286
Hedging financial instruments - CCS	(12,248)	1,142	(12,377)

As of December 31, 2020

	Profit and loss / comprehensive income	Carrying value	Profit and loss / comprehensive income
In EUR:			
Cash and cash equivalents	1,285	25,698	(1,285)
In EUR (trade receivables)	-	-	-
Trade payables, other payables and credit	(1,207)	(24,142)	1,207
In PLN:			
Cash and cash equivalents	4,559	91,175	(4,559)
Trade receivables, other receivables and debit	702	14,040	(702)
Trade payables, other payables and credit	(742)	(14,844)	742
Hedging financial instruments - forward	(13,777)	16,576	13,777
Hedging financial instruments - CCS	(14,582)	972	14,704
In USD:			
Cash and cash equivalents	10,468	209,363	(10,468)
Trade receivables	44	884	(44)
Hedging financial instruments	(23,297)	34,653	23,297
Trade payables, other payables and credit	(6,416)	(128,323)	6,416
Liability in respect of agreement with Tax	(1,235)	(24,708)	1,235
Lease liability	(1,948)	(38,950)	1,948
Hedging of electricity prices in the United	(167)	(3,341)	167

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(B) Exposure to changes in the market prices of electricity and green certificates -

The Company's activity in Israel is based on fixed tariff tenders. In Poland and in the United States, the Company is exposed to changes in the market prices of electricity and green certificates, with respect to the produced capacity which is not subject to a fixed tariff by tender (in new projects in Poland which will commence 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:

- 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).

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 to peg electricity prices in the United States (before tax effect):

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

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As of December 31, 2021

Changes to electricity prices in the United States		
Increase of 5%	Carrying	Decrease of 5%
Comprehensive	value	Comprehensive
income	value	income
NIS in thousands		

Financial derivatives - Hedging of electricity prices in the United States (SWAP)	(11,390)	(65,773)	11,390
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(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) with respect to 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).

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Notes to the Consolidated Financial Statements

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Presented below is the Group's sensitivity analysis to the CPI - The effect of a 2% change in the CPI on financial liabilities which are exposed to said risk (before the tax effect) is as follows:

<u>As of December 31, 2021</u>			
	<u>Increase of 2%</u>	<u>Carrying value</u>	<u>Decrease of 2%</u>
<u>Linkage sensitivity - 2% change</u>	<u>Profit and loss</u>		
	<u>NIS in thousands</u>		
In the CPI (loans from financial institutions)	(16,099)	(855,191)	13,117

<u>As of December 31, 2020</u>			
	<u>Increase of 2%</u>	<u>Carrying value</u>	<u>Decrease of 2%</u>
<u>Linkage sensitivity - 2% change</u>	<u>Profit and loss / comprehensive income</u>	<u>Carrying value</u>	<u>Profit and loss / comprehensive income</u>
	<u>NIS in thousands</u>		
In the CPI (loans from financial	(14,171)	(708,750)	2,240

(*) 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, 2021, the Group has loans in the amount of NIS 851,631 thousand and bonds in the amount of approximately NIS 1,193,337 thousand, at fixed interest. The fair value of the loans as of the Reporting Date (which is measured at level 2) is NIS 924,168 thousand; the fair value of the bonds (Series A) (level 1) as of the Reporting Date is NIS 690,079 thousand; and the fair value of the liability component of the convertible bonds (Series B) (level 2) as of the Reporting Date is NIS 524,096 thousand.

Cash flow risk - Financial liabilities bearing variable interest rates expose the Group to cash flow risk due to changes in interest rates.

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

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.

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 82,538 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 56,708 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 55,049 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.

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.

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

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	Balance as of January 1, 2021	Cash flows from financing activities (*)	Price differences	Linkage differences	Other changes	Balance as of December 31, 2021
	NIS in thousands					
					(**)27	
Loans from financial institutions	(708,749)	(416,564)	357	(16,303)	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>

	Balance as of January 1, 2020	Cash flows from financing activities (*)	Price differences	Linkage differences	Other changes	Balance as of December 31, 2020
	NIS in thousands					
Loans from financial institutions	(731,626)	15,960	86	3,174	3,656	(708,750)
Lease liability	(154,816)	4,607	9,582	(1,203)	(60,453)	(202,283)
Bonds (Series A)	(427,478)	-	-	-	-	(427,478)
Convertible bonds (Series B)	-	(453,353)	-	-	(2,237)	(455,590)
Liability in respect of agreement with the Tax Partner	2,419	(162,241)	10,816	-	9,239	(139,767)
	<u>(1,311,501)</u>	<u>(595,027)</u>	<u>20,484</u>	<u>1,971</u>	<u>(49,795)</u>	<u>(1,933,868)</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.

- A. For details regarding the sale of the Company's share (50%) in Granot Energix Solar Projects Limited Partnership, see Note 9.
- B. For details regarding the adoption of a dividend policy and regarding the resolution to distribute dividends after the Reporting Date, see Note 16e above.
- C. On January 12, 2022, after the Reporting Date, the Company completed a capital raising round through a public offering in the gross total of approximately NIS 337 million, in consideration of which the Company issued shares. In the capital raising round, the Company's issued and paid-up capital increased by approximately 25.8 million shares.

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

Note 32 - Additional Information Regarding Events Subsequent to the Reporting Date (Cont.)

- D.** On March 9, 2022, after the Reporting Date, a Polish special purpose entity wholly owned by the Company, which holds the wind farm, engaged in an agreement for the receipt of financing for the construction of the project in the total amount of up to PLN 290 million (approximately NIS 215 million). For additional details, see Note 14d(6).

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 32 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 March 10, 2022, the Company's Board of Directors approved the allocation of an annual tranche of equity compensation for 2022, and capital compensation instead of a cash bonus for 2021 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:

	Equity compensation to employees	Equity compensation to corporate officers (*)	Equity compensation to the Company's CEO
Number of options	1,655,388	575,738	376,280
Including fully accelerated options in lieu of cash bonus	179,927	282,807	254,243
Number of recipients	82	8	1
Share price (in NIS)	14.100	14.100	14.100
Exercise price (in NIS) (**)	15.228	15.228	15.228
Fair value of option	3.1824	3.1824	3.3433
Expected volatility	38.00%	38.00%	38.00%
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	0.29%	0.29%	0.33%
Expected dividend rate	-	-	-

- (*) 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, VP Business Development and VP Israel Operations.

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

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Note 32 - Additional Information Regarding Events Subsequent to the Reporting Date (Cont.)

(**) The exercise price of each option is determined according to the higher of: (A) the weighted 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 8,358 thousand. Out of said total, an amount of approximately NIS 2,322 thousand will be carried immediately to profit or loss (due to their granting in lieu of a cash bonus) and the remaining NIS 6,036 thousand is expected to be deducted over 24 months, in a straight line.

Energix - Renewable Energies Ltd.

Separate Financial Information 2021

Energix - Renewable Energies Ltd.
Separate Statements of Financial Position

Attn.:
Shareholders of Energix - Renewable Energies Ltd.

Dear Sir / Madam,

Re: Special Auditor's Report Regarding the Separate Financial Information, in Accordance with Regulation 9C of the Securities Regulations (Periodic and Immediate Reports) - 1970

We have audited the separate financial information which is presented in accordance with Regulation 9C of the Securities Regulations (Periodic and Immediate Reports) - 1970, of **Energix - Renewable Energies Ltd.** (hereinafter: the "Company") as of December 31, 2021 and 2020, and for each of the three years the last of which ended December 31, 2021. 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 have 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, March 10, 2022

תל אביב - משרד ראשי

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Energix - Renewable Energies Ltd.
Separate Statements of Financial Position

	<u>As of December 31</u>	
	<u>2021</u>	<u>2020</u>
	<u>NIS in thousands</u>	
	<u>(Audited)</u>	
Assets		
<u>Current assets</u>		
Cash and cash equivalents	297,173	641,889
Trade receivables and income receivable from customers	111	125
Receivables - investee companies	2,800	5,091
Receivables and debit balances	<u>96,966</u>	<u>40,428</u>
Total current assets	<u>397,050</u>	<u>687,533</u>
<u>Non-current assets</u>		
Pledged deposit	-	340
Connected electricity production systems	2,498	2,802
Systems under construction and inventory	5,932	1,001
Right-of-use asset	9,883	11,428
Fixed assets	8,254	6,569
Investment in investee companies	2,410,581	1,898,451
Loan to an investee company	-	1,582
Other receivables	<u>80,470</u>	<u>25,190</u>
Total non-current assets	<u>2,517,618</u>	<u>1,947,363</u>
Total assets	<u>2,914,668</u>	<u>2,634,896</u>
Liabilities and equity		
<u>Current liabilities</u>		
Current maturities with respect to bonds	74,871	-
Current maturities of lease liabilities	1,406	1,406
Trade payables	3,733	3,773
Payables and credit balances	<u>12,131</u>	<u>15,495</u>
Total current liabilities	<u>92,141</u>	<u>20,674</u>
<u>Non-current liabilities</u>		
Loans from investee companies	89,161	86,957
Other long term liabilities	1,500	1,500
Bonds	594,217	423,796
Convertible bonds	514,607	451,051
Lease liability	9,006	10,453
Liability for employee severance benefits, net	429	387
Payables – investee companies	2,115	2,204
Deferred tax liabilities, net	<u>100,529</u>	<u>57,578</u>
Total non-current liabilities	<u>1,311,564</u>	<u>1,033,926</u>
<u>Equity</u>		
Share capital	4,882	4,825
Capital reserves	1,406,435	1,471,097
Retained earnings	<u>99,646</u>	<u>104,374</u>
Total equity attributable to the owners of the Company	<u>1,510,963</u>	<u>1,580,296</u>
Total liabilities and equity	<u>2,914,668</u>	<u>2,634,896</u>

March 10, 2022

**Date of Signing of the
Financial Statements**

Nathan Hetz
**Chairman of Board
of Directors**

Asa Levinger
CEO

Nevo Brenner
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

	Year ended December 31		
	2021	2020	2019
	NIS in thousands		
	(Audited)		
Revenues			
Revenues from the sale of electricity	928	951	963
Revenue from the initiation and construction of facilities	-	69,956	-
Operating and other income, net	<u>2,833</u>	<u>3,063</u>	<u>3,554</u>
	<u>3,761</u>	<u>73,970</u>	<u>4,517</u>
Expenses			
Maintenance of systems	6,872	5,274	4,846
Initiation expenses	96	438	232
Payroll and related expenses	15,796	14,160	11,730
Administrative, headquarters and other	<u>14,150</u>	<u>10,734</u>	<u>9,220</u>
	<u>36,914</u>	<u>30,606</u>	<u>26,028</u>
Profit (loss) before financing, taxes, depreciation and amortization	(33,153)	43,364	(21,511)
Capital gains	12,363	-	-
Depreciation and amortization	<u>(3,633)</u>	<u>(2,868)</u>	<u>(2,312)</u>
Profit (loss) before financing and taxes	<u>(24,423)</u>	<u>40,496</u>	<u>(23,823)</u>
Financing income	58,512	48,889	30,643
Financing expenses	<u>(22,536)</u>	<u>(21,319)</u>	<u>(5,102)</u>
Financing income, net	<u>35,976</u>	<u>27,570</u>	<u>25,541</u>
Profit after financing, net	11,553	68,066	1,718
Company's share in the results of associates and joint ventures	<u>81,868</u>	<u>33,214</u>	<u>72,194</u>
Profit before taxes on income	93,421	101,280	73,912
Taxes on income	<u>(14,102)</u>	<u>(24,071)</u>	<u>(11,081)</u>
Income for the year attributable to the owners of the Company	<u>79,319</u>	<u>77,209</u>	<u>62,831</u>
Net earnings per share attributable to the equity holders of the Company (NIS):			
Basic	<u>0.163</u>	<u>0.167</u>	<u>0.153</u>
Diluted	<u>0.161</u>	<u>0.162</u>	<u>0.149</u>
Weighted average share capital used to compute the earnings per share (thousands of shares):			
Basic	<u>486,454</u>	<u>462,794</u>	<u>411,748</u>
Diluted	<u>493,728</u>	<u>477,826</u>	<u>422,727</u>
Other comprehensive income items that after initial recognition in comprehensive income were or will be transferred to profit or loss			
Foreign currency translation differences for foreign operation	(143,367)	(88,860)	(48,643)
Income 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	103,306	33,432	17,918
Company's share in changes in the capital reserve from cash flow hedge	<u>(32,102)</u>	<u>16,062</u>	<u>(17,832)</u>
Loss in respect of cash flow hedge - value of time, net of tax	<u>(1,937)</u>	<u>-</u>	<u>-</u>
Total other comprehensive income (loss) for the year attributable to the equity holders of the Company	<u>5,219</u>	<u>37,843</u>	<u>14,274</u>

The accompanying supplementary information is an integral part of the separate financial information.

Energix - Renewable Energies Ltd.

Separate Statements of Cash Flows

	Year ended December 31		
	2021	2020	2019
	NIS in thousands		
	(Audited)		
Cash flows - operating activities			
Income for the year	79,319	77,209	62,831
Expenses not involving cash flows (Appendix A)	(113,757)	(31,364)	(73,207)
	(34,438)	45,845	(10,376)
Changes in working capital (Appendix B)	(4,806)	1,913	(1,201)
Net cash used in operating activities	(39,244)	47,758	(11,577)
Cash flows - investing activities			
Investment in electricity production systems	(787)	(443)	(397)
Decrease in pledged deposit	-	2,586	10,029
Repayment of loans given to investee companies	-	131,032	73,204
Consideration from sale of consolidated partnership	7,805	-	-
Repayment of investment in investee companies	-	-	2,300
Investment in other fixed assets	(3,757)	(3,996)	(984)
Provision of loan	(13,247)	-	-
Settlement of financial instruments	46,743	2,891	(2,141)
Investment in partnerships and investees	(563,439)	(574,980)	(734,799)
Consideration from sale of fixed assets	-	-	197
Net cash used in investing activities	(526,682)	(442,910)	(652,591)
Cash flows - financing activities			
Consideration from exercise of share options	9,665	118,909	8,180
Consideration from issuance of shares	-	461,446	234,472
Issuance of bonds and convertible bonds	312,963	500,000	427,478
Bond issuance costs	(2,006)	(5,245)	(3,947)
Repayment of principal in respect of lease liability	(1,447)	(1,084)	(751)
Consideration from issuance of share options	-	-	4,478
Purchase of cap option	(10,161)	-	-
Repayment of long term loans from financial institutions	-	(11,414)	(1,152)
Short term loans received from banking institutions	-	-	112,000
Repayment of short term loans from banking institutions	-	-	(112,000)
Dividend paid to Company shareholders	(87,712)	(75,944)	-
Net cash from financing activities	221,302	986,668	668,758
Change in cash and cash equivalents	(344,624)	591,516	4,590
Balance of cash and cash equivalents at beginning of year	641,889	48,060	44,688
Effect of fluctuations in exchange rates on cash and cash equivalents	(92)	2,313	(1,218)
Balance of cash and cash equivalents at end of year	297,173	641,889	48,060

The accompanying supplementary information is an integral part of the separate financial information.

Energix - Renewable Energies Ltd.
Separate Statements of Cash Flows

	Year ended December 31		
	2021	2020	2019
	NIS in thousands		
	(Audited)		
<u>Appendix - Adjustments Required to Present Cash Flows from Operating Activities</u>			
a. Income (expenses) not involving cash flows:			
Financing income, net	(51,929)	(37,109)	(33,074)
Capital loss	-	-	3
Revaluation of loans, deposits and hedging instruments, net	340	2	31
Tax income recognized in profit (loss) for the period	14,763	22,252	11,081
Company's share in the results of associates and joint ventures	(73,368)	(22,114)	(58,194)
Depreciation and amortization	3,633	2,868	2,312
Capital gains from sale of partnership	(12,363)	-	-
Change in provision for employee severance pay	42	1	25
Share-based payment	5,125	2,736	4,609
	<u>(113,757)</u>	<u>(31,364)</u>	<u>(73,207)</u>
b. Changes in asset and liability items (changes in working capital):			
Increase in trade receivables and other receivables and debit balances	(4,298)	(304)	(592)
Decrease (increase) in receivables and debit balances in respect of investee companies	(560)	(1,039)	(829)
Increase in trade payables and other payables and credit balances	52	3,256	220
	<u>(4,806)</u>	<u>1,913</u>	<u>(1,201)</u>
<u>Non-cash activity</u>			
Non-cash exercise of share options	<u>2,922</u>	<u>-</u>	<u>7,351</u>
<u>Additional information</u>			
Interest received in respect of operating activities	<u>-</u>	<u>103</u>	<u>57</u>
Interest paid in respect of operating activities	<u>-</u>	<u>5,798</u>	<u>471</u>
Dividend received from investee companies	<u>8,500</u>	<u>11,100</u>	<u>14,000</u>
Taxes paid	<u>-</u>	<u>1,819</u>	<u>145</u>
Interest payments in respect of lease	<u>394</u>	<u>320</u>	<u>227</u>

The accompanying supplementary information is an integral part of the separate financial information.

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, 2021 (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

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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.

- (6) Loans granted to and/or received from investees are presented in the amount that is attributable to the Company itself as a parent company.
- (7) Balances (including loans granted and received) and income and expenses in respect of transactions with investees, which were eliminated in the Consolidated Financial Statements, are measured and presented under the relevant items in the financial position data and the profit or loss data, in the same manner that would have been applicable to the measurement and presentation of such transactions had they been carried out with third parties.
- (8) Unrealized gains and losses on transactions between the Company and its investees are presented under the balance in respect of investees and under the profit (loss) in respect of investees.

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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, 2021, 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 6.6 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-

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	As of December 31, 2021					
	Interest rate	Carrying amount	Projected cash flows	Up to one year	1-3 years	Over 3 years
	%	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	3,682	6,218
Bonds (Series A)	2.05%	598,968	737,980	86,827	-	479,156
Convertible bonds (Series B)	0.25%	518,939	574,851	1,333	2,667	570,852
Loans from investee companies	2.45%	89,161	98,151	-	-	98,151
		<u>1,233,037</u>	<u>1,438,315</u>	<u>101,978</u>	<u>179,846</u>	<u>1,156,492</u>

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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, 2020					
		Carrying amount	Projected cash flows	Up to one year	1-3 years	Over 3 years	
							NIS in thousands
	%						
Trade payables, other payables and credit balances	-	10,619	10,619	10,619	-	-	
Hedging financial instruments	-	4,452	4,452	4,452	-	-	
Related party payables	-	3,704	3,704	-	1,500	2,204	
Lease liability according to IFRS 16	Linked, 3.4%-6.28%	11,854	13,582	1,841	3,682	8,059	
Bonds (Series A)	2.05%	427,478	477,867	8,763	111,061	358,043	
Convertible bonds (Series B)	0.25%	455,590	508,632	1,132	2,500	505,000	
Loans from investee companies	2.62%	86,957	98,879	-	-	98,879	
			<u>1,000,654</u>	<u>1,117,735</u>	<u>26,807</u>	<u>118,743</u>	<u>972,185</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.

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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, 2021						CPI-linked NIS	Total
	EUR	PLN	USD	Other	Unlinked 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	
	<u>585</u>	<u>118,759</u>	<u>39,190</u>	<u>15</u>	<u>316,423</u>	<u>-</u>	<u>474,972</u>	
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	
	<u>156</u>	<u>247</u>	<u>2</u>	<u>-</u>	<u>1,222,255</u>	<u>10,377</u>	<u>1,233,037</u>	
Total surplus of assets over liabilities (assets over liabilities)	<u>429</u>	<u>118,512</u>	<u>39,188</u>	<u>15</u>	<u>(905,832)</u>	<u>(10,377)</u>	<u>(758,065)</u>	

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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, 2020						
	EUR	PLN	USD	Other	Unlinked NIS	CPI- linked NIS	Total
	NIS in thousands						
Cash and cash equivalents	20,311	43,663	30,066	17	547,832	-	641,889
Pledged deposit	-	-	-	-	340	-	340
Trade receivables	-	-	-	-	125	-	125
Receivables and debit	-	-	-	-	2,022	5,777	7,799
Receivables - investee	-	-	-	-	5,091	-	5,091
Loan to an investee	-	-	-	-	1,582	-	1,582
Hedging financial	-	22,000	34,029	-	-	-	56,029
	<u>20,311</u>	<u>65,663</u>	<u>64,095</u>	<u>17</u>	<u>556,992</u>	<u>5,777</u>	<u>712,855</u>
Trade payables, other payables and credit balances	25	-	-	114	10,480	-	10,619
Loans from investee companies	-	-	-	-	86,957	-	86,957
Other long term liabilities	-	-	-	-	3,704	-	3,704
Lease liability - IFRS 16	-	-	-	-	-	11,854	11,854
Bonds (Series A)	-	-	-	-	427,478	-	427,478
Convertible bonds (Series B)	-	-	-	-	455,590	-	455,590
Hedging financial instruments	-	4,452	-	-	-	-	4,452
	<u>25</u>	<u>4,452</u>	<u>-</u>	<u>114</u>	<u>984,209</u>	<u>11,854</u>	<u>1,000,654</u>
Total surplus of assets over liabilities (assets over liabilities)	<u>20,286</u>	<u>61,211</u>	<u>64,095</u>	<u>(97)</u>	<u>(427,217)</u>	<u>(6,077)</u>	<u>(287,799)</u>

Presented below is an analysis of the Group's linkage and foreign currency sensitivity:

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The effect of a 5% change in the exchange rate / a 2% change in the CPI on the profit or loss in respect of financial liabilities that are exposed to said risk (before the tax effect) is as follows:

	As of December 31, 2021		
	Increase of 5%	Carrying value	Decrease of 5%
	Profit and loss / equity		Profit and loss / equity
	NIS in thousands		
Foreign currency sensitivity - 5% change			
In Zloty (cash and cash equivalents)	(8)	(153)	8
In Euro (cash and cash equivalents)	29	585	(29)
In USD (cash and cash equivalents)	258	5,161	(258)
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

	As of December 31, 2020		
	Increase of 5%	Carrying value	Decrease of 5%
	Profit and loss / equity		Profit and loss / equity
	NIS in thousands		
Foreign currency sensitivity - 5% change			
In Zloty (cash and cash equivalents)	2,183	43,663	(2,183)
In Euro (cash and cash equivalents)	1,016	20,311	(1,016)
In USD (cash and cash equivalents)	1,503	30,066	(1,503)
In Zloty (derivative financial instruments)	(13,777)	16,576	13,777

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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

	Year ended December 31		
	2021	2020	2019
	NIS in thousands		
Current tax expense (income)			
For the current year	2,830	1,819	5,852
	<u>2,830</u>	<u>1,819</u>	<u>5,852</u>
Deferred tax expense (income)			
Creation and reversal of temporary differences	32,767	23,854	12,480
Write-down (reversal of write-down) of deferred tax assets	(21,495)	(1,602)	(7,251)
	<u>11,272</u>	<u>22,252</u>	<u>5,229</u>
Total income tax expenses from continuing operations	<u>14,102</u>	<u>24,071</u>	<u>11,081</u>

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Supplementary Information to the Separate Financial Statements

Note 3 - Taxes on Income (Cont.)**B. Deferred taxes**

The deferred tax balances as of December 31, 2021 and 2020 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, 2021 and 2020:

2021	As of December 31, 2020	Amount carried to profit or loss	Carried to other comprehensive income	As of December 31, 2021
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	(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>
Deferred tax liability in the statement of financial position as of December 31, 2021				<u>(100,529)</u>
	As of December 31, 2019	Amount carried to profit or loss	Carried to other comprehensive income	As of December 31, 2020
Carryforward tax losses	14,374	1,602	(408)	15,567
Small and medium photovoltaic systems	(16,680)	(15,232)	-	(31,912)
Financial instruments	(2,256)	-	(9,563)	(11,819)
Employee benefits	314	34	-	348
Investment in investee	(21,106)	(8,656)	-	(29,762)
Balance of deferred tax asset (liability)	<u>(25,354)</u>	<u>(22,252)</u>	<u>(9,971)</u>	<u>(57,578)</u>
Deferred tax liability available for offsetting				(61,674)
Deferred tax assets available for offsetting				<u>4,096</u>
Deferred tax liability in the statement of financial position as of December 31, 2020				<u>(57,578)</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:

	Year ended December 31		
	2021	2020	2019
	NIS in thousands		
Profit before taxes on income	93,421	101,279	73,912
Tax rate of the Company	23%	23%	23%
	<u>21,487</u>	<u>23,294</u>	<u>17,000</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	(18,830)	(7,639)	(16,578)
Company's share in the results of partnerships	334	(737)	186
Non-deductible expenses	1,187	669	1,101
In respect of subsidiaries operating outside of Israel	9,761	10,829	10,455
Other differences	163	(2,345)	(1,083)
	<u>(7,385)</u>	<u>777</u>	<u>(5,919)</u>
Tax expense on income from continuing operations	<u>14,102</u>	<u>24,071</u>	<u>11,081</u>
Effective tax rate	15%	24%	15%

D. Unrecognized deferred tax liabilities

As of December 31, 2021 and 2020, a deferred tax liability which is attributed to associated companies was not recognized because the decision as to whether to sell those companies rests with the Company, which does not intend to sell in the foreseeable future, excluding a deferred tax liability in respect of the company which holds the Group's project companies in Poland, for which a liability of this kind was recognized, due to the Company's estimate that it will distribute the receipts of that company to the Company in the foreseeable future.

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Supplementary Information to the Separate Financial Statements

Note 4 - Material Engagements and Transactions with Investee Companies**A. Bank guarantees**

For details regarding bank guarantees of the Company, see Notes 5 and 30b to the Consolidated Financial Statements that are published together with this separate financial information.

B. Loans and credit facilities

- (1) For 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.
- (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 419 thousand in 2021), 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(8) to the Consolidated Financial Statements.

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Supplementary Information to the Separate 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 8.5 million.

On March 10, 2022, the Board of Directors determined that the dividend for 2022 will amount to a total of 20 agorot per share, to be paid in 4 equal quarterly payments in the amount of 5 agorot per share, subject to a specific resolution of the Board of Directors in each quarter.

In accordance with the above, the Company announced a dividend distribution for the first quarter of 2022 in the amount of 5 agorot per share (approximately NIS 25.8 million), which will be paid in April 2022.

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.

Additional Details Regarding the Corporation for 2021

Company name: **Energix - Renewable Energies Ltd.**

Company Number in the Registrar: 51-390137-1

Address: 2 Jabotinsky St., Ramat Gan 5250501

Telephone: 03-5668855

Facsimile: 03-5668822

Email: info@energix-group.com

Balance sheet date: December 31, 2021

Approval date of the report: March 10, 2022

Reporting period: The year ended December 31, 2021

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.

Additional Details Regarding the Corporation

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 with respect to 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, 2021	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.	866,938	100%	100%
Energix US LLC	992,198	58%	100% of the management rights
Energix Neot Hovav Ltd.	78,081	100%	100%
Energix Projects 1, Limited Partnership	2,354	100%	100%
Clean Wind Energy Ltd.	77,383	73%	100%
Solaer Energix Renewable Energies, Limited Partnership (the Joint Venture)	288,989	70%	67%
Granot Amot Energy Solar Projects, Limited Partnership (*)(**)	10,365	50%	50%
Energix Projects 2, Limited Partnership	56,423	97%	100%

(*) For additional details regarding the Company's share, see Note 11 in Part C of the Report - Financial Statements.

(**) For details regarding the completion of the partnership's sale of after the Reporting Date, see Note 9b(1)(b)(1) in Part C - 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, 2021
		%	NIS in thousands
Energix Renewable Energies Holding B.V.	Unlinked	0%	816,900
Energix US LLC	Unlinked	0%/3%	1,066,652
Energix Neot Hovav Ltd. - capital notes (*)	Unlinked	8%	38,543
Clean Wind Energy Ltd.	Unlinked	17%	63,203
Solaer Energix Renewable Energies, Limited Partnership	Linked	8%/10%	316,336
Energix Projects 2, Limited Partnership	Unlinked	8%/10%	67,462

Additional Details Regarding the Corporation

(*) 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 2021 to December 2021	Investment	-	284,998
Energix Renewable Energies Holding B.V.		Investment	-	188,226
Energix Renewable Energies Holding B.V.	January 2021 to December 2021	Repayment of investment (*)	-	(11,651)
Energix Neot Hovav Ltd.	December 2021	Dividend distribution	-	(8,500)
Clean Wind Energy Ltd.	January 2021 to December 2021	Investment	-	43,825
	January 2021 to December 2021	Investment	-	46,665
Solaer Energix Renewable Energies, Limited Partnership (the Joint Venture)	January 2021 to December 2021	Repayment of investment	-	(13,288)
Energix Projects 2, Limited Partnership	January 2021 to December 2021	Repayment of investment	-	(1,375)

(*) 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, 2021 (NIS in thousands)

Name of company	Profit (loss) before tax	Profit (loss) after tax	Dividend	Management fees and participation in expenses	Interest income (expenses), net
Energix Renewable Energies Holding B.V.	49,517	40,496	-	-	-
Energix US LLC	(12,362)	13,897	-	-	-
Energix Neot Hovav Ltd.	15,639	12,042	8,500	1,500	-
Energix Projects 1, Limited Partnership	2,042	2,042	-	809	-
Clean Wind Energy Ltd.	(120)	(93)	-	-	11,357
Solaer Energix Renewable Energies, Limited Partnership (the Joint Venture)	(2,069)	(2,069)	-	-	38,039
Granot Amot Energy Solar Projects, Limited Partnership	(*) 2,849	(*) 2,849	-	226	3,902
Energix Projects 2, Limited Partnership	(3,724)	(3,724)	-	300	3,945

(*) The partnership is accounted for in the Financial Statements according to the equity method, and the Company’s share in the partnership is 50%.

Regulation 14 - Balances of loans, if the provision of loans was one of the Corporation’s main activities

N/A.

Additional Details Regarding the Corporation

Regulation 20 - Trading on the stock exchange - securities listed for trading - dates and reasons for suspension of trading

During the Reporting Period, 5,671,431 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 5/2016, 4/2018, 3/2019, 6/2019 and 12/2019. Additionally, in November 2021, the Company completed the process of listing bonds (Series A) and convertible bonds (Series B) which it issued by way of a series extension, at a total scope of approximately NIS 309 thousand, in accordance with a shelf offering report by virtue of the Company’s shelf prospectus. For additional details, see the immediate reports which the Company published on November 14, 2021 (reference number 2021-01-166191).

Additionally, after the Reporting Date, 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.

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 ⁽³⁾	Payroll	Bonus ⁽⁹⁾	Total	Application of benefit in respect of share-based payment ⁽¹⁾	Value of additional benefits ⁽²⁾	Total
Asa Levinger	CEO	Full	(4) 1.37%	1,491	-	1,491	2,360	102	3,953
Nevo Brenner	CFO	Full	(5) -%	809	200	1,009	350	114	1,473
				(10)					
Dafna Reznick	VP Legal	Full	(6) 0.21%	769	-	769	528	119	1,416
Moran Birman	VP Business Development	Full	(7) 0.02%	807	-	807	561	154	1,522
Wylie Levone	Legal Counsel US	Full	(8) -%	1,082	289	1,371	95	42	1,509

Additional Details Regarding the Corporation

- (1) The application of the benefit is presented in accordance with accounting principles. As of December 31, 2021, 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 March 9, 2022 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 with respect to 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, 2021 (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, 2021, at full dilution, is 2.61%.
- (5) The CFO's holding rate in the Company's capital as of December 31, 2021, at full dilution, is 0.09%.
- (6) The holding rate of the VP Legal and Company Secretary in the Company's capital as of December 31, 2021, at full dilution, is 0.37%.
- (7) The holding rate of the VP Business Development in the Company's capital as of December 31, 2021, at full dilution, is 0.25%.
- (8) The VP Legal US's holding rate in the Company's capital as of December 31, 2021, at full dilution, is 0.08%.
- (9) A bonus to the Company's CEO, CFO, VP Legal and 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 2021 (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 March 6, 2022, and the Company's Board of Directors, on March 10, 2022, 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. Additionally, a total of NIS 100 thousand out of the CFO's annual bonus was given by way of equity compensation, instead of an annual cash bonus. For additional details, see note (1) above, and additional details regarding the employment terms of corporate officers, below.

Additional Details Regarding the Corporation

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 July 30, 2019, 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 also includes medium term equity compensation, by virtue of which the Company may grant equity compensation to all officers, the CEO, and directors serving in the Company from time to time, and long term equity compensation, which is given to the Company’s CEO. The compensation policy includes 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, 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.

The Company intends to add a long term equity compensation component for the Company’s senior management team, as part of the expected update to the Company’s compensation policy after 3 years (end of June 2022).

For details regarding the compensation policy which is in effect as of the Reporting Period and until the Approval Date of the Report, see the immediate report regarding the convention of the general meeting dated June 24, 2019 (reference number 2019-01-062929), 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 July 2019, see Note 25c in Chapter C of the Report - Financial Statements, and the immediate report regarding the convention of the general meeting dated July 24, 2019 (reference number 2019-01-062929), which is presented herein, in its entirety, by way of reference.

Additional Details Regarding the Corporation

For details regarding the granting of options to the CEO, see Notes 25c and 32e in Chapter C of the Report - Financial Statements.

3. CFO

Nevo Brenner, the CFO, is employed by the Company in accordance with an employment agreement from September 2019, according to which the CFO is entitled to the customary social benefits and fringe benefits (food and lodging expenses, as well as a cellphone, in accordance with the Company's conventional practice), a company vehicle, and payment of the vehicle maintenance costs. The monthly employment cost of the CFO (employer's cost) in 2021 amounted to a total of approximately NIS 78 thousand per month (excluding bonuses). Additionally, the employment agreement of the Company CFO entitles the Company CFO to an annual bonus and to equity compensation in accordance with the Company's compensation policy. Accordingly, the bonuses to the CFO with respect to 2021 include (i) an annual bonus according to the quantitative and qualitative targets which were determined for him by the Company's Board of Directors, with the Compensation Committee's recommendation, in the total amount of NIS 300 thousand (gross), of which a total of NIS 100 thousand was given by way of equity compensation, instead of an annual cash bonus. Accordingly, on March 10, 2022, the Company's Board of Directors resolved to grant to the CFO approximately 31 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) equity compensation for 2021, at a value of NIS 275 thousand, by virtue of which around 120 thousand options were allocated to the CFO in April 2021, as part of the Company's employee options plan.

Proximate to the date of approval of the Financial Statements, Mr. Nevo Brenner announced his intention to conclude his tenure in the Company. Mr. Brenner will continue serving as CFO until May 31, 2022.

4. 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 2021 amounted to a total of approximately NIS 74 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 with respect to 2021 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 300 thousand (gross), which was entirely given by way of

Additional Details Regarding the Corporation

equity compensation, instead of an annual cash bonus. Accordingly, on March 10, 2022, the Company's Board of Directors resolved to grant to the CFO approximately 94 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) equity compensation for 2021, at a value of NIS 250 thousand, by virtue of which around 109 thousand options were allocated to the VP Legal in April 2021, as part of the Company's employee options plan.

On March 10, 2022, the Company's Board of Directors approved, with the Compensation Committee's recommendation, an amendment to the employment agreement of the VP Legal, such that, beginning on March 1, 2022, her monthly salary (gross) will amount to a total of NIS 60,000 thousand per month; and resolved to grant to the VP Legal equity compensation in the amount of NIS 250 thousand, by virtue of which the Company's Board of Directors resolved to grant around 78 thousand options, within the framework of the Company's employee options plan (subject to the stock exchange's pre-approval for listing).

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 2021 amounted to a total of approximately NIS 79 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 with respect to 2021 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 300 thousand (gross), which was entirely given by way of equity compensation, instead of an annual cash bonus. Accordingly, on March 10, 2022, the Company's Board of Directors resolved to grant to the VP Business Development approximately 94 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) equity compensation for 2021, at a value of NIS 250 thousand, by virtue of which around 109 thousand options were allocated to the VP Business Development in April 2021, as part of the Company's employee options plan.

Additional Details Regarding the Corporation

On March 10, 2022, the Company's Board of Directors approved, with the Compensation Committee's recommendation, an amendment to the employment agreement of the VP Business Development, such that, beginning on March 1, 2022, her monthly salary (gross) will amount to a total of NIS 60,000 thousand per month; and resolved to grant to the VP Business Development equity compensation in the amount of NIS 250 thousand, by virtue of which the Company's Board of Directors resolved to grant around 78 thousand options, within the framework of the Company's employee options plan (subject to the stock exchange's pre-approval for listing).

6. 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 2021 amounted to a total of approximately USD 348 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, with respect to 2021, the VP Legal US is entitled to a cash bonus in the amount of USD 90 thousand, and as medium term equity compensation for 2022, 90 thousand Company options were allocated to the VP Legal US, within the framework of the Company's employee options plan (subject to the stock exchange's pre-approval for listing).

In March 2022, the employment terms of the VP Legal US were updated such that, beginning on March 1, 2022, his gross annual salary will amount to a total of approximately USD 335 thousand.

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 32as 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

Additional Details Regarding the Corporation

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, 2021 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 Report - 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:

Additional Details Regarding the Corporation

- (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, 2021, shares and options of the Company, see the corrective immediate report which was published by the Company on January 6, 2022, reference number 2022-01-004141. The information which is provided in the aforementioned immediate report is included herein by way of reference.

Additional Details Regarding the Corporation

Regulation 24a - Registered capital, issued capital and convertible securities as of March 9, 2022

	Number of shares / convertible securities
Registered capital	1,000,000,000
Issued capital	515,613,996
Non-marketable options to the Company's CEO 05/2016	5,227,546
Non-marketable options to the Company's CEO 08/2019	4,593,150
Non-marketable options to employees and corporate officers 03/2019	1,319,634
Non-marketable options to employees and corporate officers 06/2019	250,000
Non-marketable options to employees and corporate officers 07/2019	30,000
Non-marketable options to employees and corporate officers 12/2019	25,000
Non-marketable options to employees and corporate officers 04/2020	3,156,000
Non-marketable options to employees and corporate officers 04/2021	2,473,658
Convertible bonds (Series B)	566,602,000

Regulation 24b - Register of shareholders as of March 9, 2021

All ordinary shares (515,613,996 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:

Name	Nathan Hetz - Chairman of the Board	Aviram Wertheim	Oren Frankel	Alona Shefer (Caro)	Linda Ben Shushan	Meir Shani	Orna Hozman-Bechor
ID No.	51673192	555852770	023944176	022972749	059279224	008409732	024570202
Date of birth	7.10.1952	25.10.1958	24.7.1968	19.5.1967	26.5.1965	08.09.1945	12.11.1969
Address	12 Litvinsky St., Ramat Gan	8 HaTarbut St., Ramat HaSharon	11 HaPardes St., Avihayil	4 Mishmar HaYarden St., Givatayim	16 Geffen St., Maccabim 71799	28 HaNof St., Savyon 5654028	7 HaPrachim St., Ramat HaSharon 4723121
Citizenship	Israeli	Israeli	Israeli	Israeli	Israeli	Israeli and Polish	Israeli
Membership in committees of the Board of Directors	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
Independent director / outside director	No	No	No	Yes - outside director	Yes - outside director	Yes - independent director	Yes - independent director
Employee of the Corporation, a subsidiary, a related company, or an interested party	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

Additional Details Regarding the Corporation

Name	Nathan Hetz - Chairman of the Board	Aviram Wertheim	Oren Frankel	Alona Shefer (Caro)	Linda Ben Shushan	Meir Shani	Orna Hozman-Bechor
Commencement date of tenure as a director in the Company	7.12.2006	18.1.2011	30.7.2014	1.8.2014	1.8.2017	6.6.2019	1.9.2021
Education	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.
Occupation during the last five years	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 the Chairman of the Board of Carr.	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.	Partner in "Forma", a private investment fund which invests in real estate in Europe, member of the advisory board of Alto - am investment fund which invests in real estate in the United States, director in the Provident Fund of El Al Employees, director in Rom study fund. Also served as an	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

Additional Details Regarding the Corporation

Name	Nathan Hetz - Chairman of the Board	Aviram Wertheim	Oren Frankel	Alona Shefer (Caro)	Linda Ben Shushan	Meir Shani	Orna Hozman-Bechor
					outside director and member of credit, audit and governance committees at Israel Discount Bank Ltd.		Negev and the Galilee.
Corporations in which serves as a director	Energix - Renewable Energies Ltd. (Chairman), Alony Hetz Properties and Investments Ltd., Amot Investments Ltd. (Chairman), Carr Properties Corporations (hereinafter: "Carr") (Chairman), PSP Swiss Property AG, Brockton Everlast AG, director in consolidated companies of Alony Hetz, of Energix, of Carr, of Oxford Properties, and director in private companies owned by him and	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 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.	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 of El Al Employees (investment committee chair and Audit Committee member), the Provident Fund for Academics) (investment committee chair and Audit Committee member). Director: MRR Thirteen Limited, Priortech, Migdal Insurance and Financial Holdings Ltd., Sufrin Holdings Ltd.	Strauss Group, Xenia Ventures, 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.

Additional Details Regarding the Corporation

Name	Nathan Hetz - Chairman of the Board	Aviram Wertheim	Oren Frankel	Alona Shefer (Caro)	Linda Ben Shushan	Meir Shani	Orna Hozman-Bechor
	by his family members.						
Family member of another interested party in the Corporation	No	No	No	No	No	No	No
Whether the Company considers him as having accounting and financial expertise for the purpose of meeting the minimum number determined by the Board of Directors in accordance with section 92(a)(12) of the Companies Law	Yes	Yes	Yes	Yes	Yes	Yes	Yes

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Regulation 26A - Corporate officers in the Corporation

Name	Asa Levinger	Nevo Brenner	Dafna Reznick	Moran Birman	Ariel Yotzer	Tanya Friedman	Israel Gvirtz
ID No.	033515958	033741182	034926345	301112959	040342545	309279859	33762139
Date of birth	20.11.1976	1.5.1977	17.2.1978	23.10.1987	1.12.1980	5.2.1984	19.2.1977
Position held in the Corporation	CEO, Market Risks Manager	CFO	VP Legal	VP Business Development	VP Israel Operations Manager	Comptroller	Internal Auditor
Position held in a subsidiary of the Corporation or in an interested party thereof	Director and President of the subsidiaries	Director in some subsidiaries of the Company	Director in a subsidiary of the Company	None	None	None	Internal Auditor of Alony Hetz
Independent authorized signatory in the Corporation	No	No	No	No	No	No	No
Interested party in the Corporation	Yes	No	No	No	No	No	No
Family member of a corporate officer or interested party	No	No	No	No	No	No	No
Education	BA in Computer Engineering - Technion (Department of	BA in Accounting and Economics and MBA - The	Attorney, BA in Law and Economics, MBA with a	BA in Business Administration - IDC Herzliya	BA in Economics and Business Administration - Ben Gurion University,	BA in Accounting and Economics - Tel Aviv University, Certified Public Accountant;	C.P.A., B.A. in Economics and Accounting, Certified Internal Auditor

Additional Details Regarding the Corporation

Name	Asa Levinger	Nevo Brenner	Dafna Reznick	Moran Birman	Ariel Yotzer	Tanya Friedman	Israel Gvirtz
	Electrical Engineering), MBA - Technion	Hebrew University of Jerusalem, Certified Public Accountant	specialization in finance, Tel Aviv University		MA in Law for Graduates in Economics - Bar Ilan University	and MBA with a specialization in finance, Tel Aviv University	(CIA) and Certified in Risk Management Assurance (CRMA) by the American Institute of Internal Auditors
Main occupations in the last five years	Current position	Deputy CFO and Comptroller, Israel Aerospace Industries Ltd.	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, coordinator and supervisor of the domains and budgets of the Ministry of Interior and local governance, budget division, Ministry of Finance, chairman of the preferred housing complexes committee.	Current and previous position - Accountant at Deloitte	Partner in Fahn Kanne Monitoring Management Ltd.
Start date of tenure	October 2009	September 1, 2019	May 2013	November 21, 2016	May 1, 2021	August 1, 2017	July 5, 2016

Additional Details Regarding the Corporation

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 2021.

Regulation 29 - Recommendations and resolutions of the Board of Directors, special general meetings

- A. During 2021, 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 the resolution of the Company's Board of Directors, on March 8, 2021, to adopt a multi-year dividend policy, see Note 16e in Part C - Financial Statements, and the Company's immediate report dated March 9, 2021 (reference number 2021-01-029421), which is presented herein, in their entirety, by way of reference.
- D. For details regarding the resolution of the Company's Board of Directors, on March 8, 2021, to distribute a dividend in the amount of 4 agorot per ordinary Company share, and in the total amount of approximately NIS 19 thousand, see Note 16e in Part C - Financial Statements, and the Company's immediate report dated March 9, 2021 (reference number 2021-01-029517), which are presented herein, in their entirety, by way of reference.
- E. For details regarding the Board of Directors' resolution, on May 10, 2021, to distribute a dividend in the amount of 4 agorot per ordinary Company share, and in a total amount of approximately NIS 19 thousand, see Note 16e in Part C - Financial Statements, and the Company's immediate report dated May 11, 2021 (reference number: 2021-01-082380), which is presented herein, in its entirety, by way of reference.
- F. For details regarding the resolution of the Company's Board of Directors, on August 12, 2021, to distribute a dividend in the amount of 5 agorot per ordinary Company share, and in the total amount of approximately NIS 24 thousand, see Note 16e in Part C - Financial Statements, and the Company's immediate report dated August 12, 2021 (reference number 2021-01-065080), 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 November 7, 2021, to distribute a dividend in the amount of 5 agorot per ordinary Company share, and in the total amount of approximately NIS 24 thousand, see Note 16e in Part C - Financial Statements, and the Company's immediate report dated November 8, 2021 (reference number 2021-01-163980), which is presented herein, in its entirety, by way of reference.
- H. For details regarding an issuance of convertible bonds (Series A) and convertible bonds (Series B) by way of a series extension at a scope of approximately NIS 310 million par value, which the Company completed in November 2021, in accordance with a shelf offering report by virtue of the Company's shelf prospectus, see Appendix E to Part B - Board of Directors'

Additional Details Regarding the Corporation

Report, and the Company's immediate report dated November 14, 2021 (reference number 2021-01-166191), which is presented herein, in its entirety, by way of reference.

- I. For details regarding a public offering of approximately 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.

- J. For details regarding the Board of Directors' resolution, on March 10, 2022, to distribute a dividend in the amount of 5 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.

Nathan Hetz
Chairman of Board of Directors

Asa Levinger
CEO

Appendix A - Report Regarding the Effectiveness of Internal Control over Financial Reporting and Disclosure

Annual Report for 2021 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. Nevo Brenner, 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, 2021, 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 2021 (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 -

Additional Details Regarding the Corporation

- 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.

March 10, 2022

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, Nevo Brenner, 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 2021 (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 -

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- 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.

March 10, 2022

Signature
Nevo Brenner, CFO

Corporate Governance Questionnaire⁵¹

Independence of the Board of Directors		
	Correct	Incorrect
<p>1. In each reporting year, two or more outside directors served in the Corporation. 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	
<p>2. Rate⁵² of independent directors⁵³ serving in the Corporation as of the publication date of this questionnaire: 4/7. Rate of independent directors as determined in the Corporation’s articles of association⁵⁴: _____. <input checked="" type="checkbox"/>N/A (No provision has been established in the articles of association).</p>	_____	_____

⁵¹Published within the framework of proposed legislation regarding the improvement of the reports, on March 16, 2014.

⁵²In this questionnaire, "rate" means a certain number out of the total. For example, 3/8.

⁵³Including “outside directors”, as defined in the Companies Law.

⁵⁴In 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).

⁵⁵A 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 to⁵⁶ 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>	
6.	<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>V [c]</p>

⁵⁶In 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>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 (“Alony Hetz”).</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 rate⁵⁷ 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>		
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⁵⁷Including 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)⁵⁸.</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: _____.	_____	_____

⁵⁸A bond company is not required to comply with this section.

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). <input type="checkbox"/></p>	V	
9.	<p>a. 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	
	<p>b. Number of directors who served in the Corporation during the reporting year:</p> <p>With accounting and financial expertise:⁵⁹5.</p> <p>With professional qualifications⁶⁰: 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.	<p>a. 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>	V	

⁵⁹Following 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.

⁶⁰See footnote 9.

		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.		
	b.	Number of directors of all genders serving in the Corporation's Board of Directors as of the date of publication of this questionnaire: Men: 4, Women: 3.	_____	_____

Board of Directors meetings (and convention of general meeting)

			Correct	Incorrect
11.	a.	Number of Board of Directors meetings held during each quarter of the reporting year: 12 in total Q1 (2021): 2. Q2: 2. Q3: 4. Q4: 4.	_____	_____
	b.	Alongside the name of each director who served in the Corporation during the reporting year, specify their rate of participation ⁶¹ in Board of Directors meetings (in this sub-section – including meetings of Board of Directors committees in which the director was a member, as noted below) that convened during the reporting year (and in respect of the director's term):	_____	_____

⁶¹See footnote 2.

	Name of director	Participation rate in meetings of the Board of Directors	Participation rate in meetings of the Compensation and Audit Committee ⁶²	Participation rate in meetings of the Financial Statements Review Committee ⁶³	Participation rate in meetings of additional Board of Directors committees of which they are a member (specify the committee name)		
	Nathan Hetz	12/12	—	—	—		
	Aviram Wertheim	12/12	—	—	—		
	Oren Frankel	11/12	—	—	—		
	Alona Shefer (Caro)	12/12	9/9	4/4	—		
	Linda Ben Shushan	12/12	9/9	4/4	—		
	Meir Shani	12/12	9/9	4/4	—		
	Orna Hozman-Bechor ⁶⁴	4/4	—	1/1	—		
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					V	

⁶²In respect of a director who is a member of this committee.

⁶³In respect of a director who is a member of this committee.

⁶⁴Ms. Orna Hozman-Bechor began her tenure as an independent director in the Company on September 1, 2021.

		given the opportunity to express their position.		
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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.⁶⁵</p> <p><input checked="" type="checkbox"/> Not relevant (as long as no dual capacity exists in the Corporation).</p>	—	—

⁶⁵In a bond company - approval in accordance with section 121(d) of the Companies Law.

16.	The CEO <u>is not</u> a relative of the Chairman of the Board of Directors. If your answer is “Incorrect” (i.e., the CEO is a relative of the Chairman of the Board of Directors) –		V	
1.	a.	Specify the familial relationship between the parties: _____.	_____	_____
	b.	The tenure was approved according to section 121(c) of the Companies Law ⁶⁶ : <input type="checkbox"/> Yes <input type="checkbox"/> No <i>(Mark X in the appropriate box)</i>	_____	_____
17.	The controlling shareholder or his relative <u>does not</u> serve as CEO or as corporate officer in the Corporation, except as a director. <input type="checkbox"/> N/A (the Corporation has no controlling shareholder).		V	

Audit Committee					
			Correct	Incorrect	
18.	In the Audit Committee, the following <u>did not serve</u> during the reporting year –			_____	_____
	a.	The controlling shareholder or his relative.		V	

⁶⁶In a bond company - approval in accordance with section 121(d) of the Companies Law.

	<input type="checkbox"/> N/A (the Corporation has no controlling shareholder).		
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.	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.	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.	V	
22.	All Audit Committee meetings attended by a party who is not entitled to be a Committee member were convened with the approval of the Committee Chairperson and/or at the request of the Committee (concerning the legal counsel and Corporation secretary who is not a controlling shareholder or their relative).	V	
23.	In the reporting year, 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.	V	
24.	The Audit Committee (and/or the Financial Statements Review Committee) is satisfactorily convinced that the Auditor’s scope of work and professional fees in respect of the Financial Statements during the reporting year are adequate to perform satisfactory audit and review work.	V	

The role of the Committee is to review the Financial Statements (hereinafter: the “Committee”) in their 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): 4 days for annual financial statements, and 3 days for quarterly financial statements.	_____	_____
	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 (2021): 4. Second quarter report: 3. Third quarter report: 4. Annual report: 4.	_____	_____
	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 (2021): 4.		

		<p>Second quarter report: 3.</p> <p>Third quarter report: 4.</p> <p>Annual report: 4.</p>		
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.	All of its members have the ability to read and understand financial statements, and at least one of the independent directors has accounting and financial expertise.	V	
	F.	The Committee members approved the appointments.	V	
	G.	The quorum required for discussion and for the passing of resolutions in the Committee is a majority of its members, 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: _____.		_____	_____

Corporate Governance Questionnaire

		Correct	Incorrect
28.	<p>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).</p> <p><input type="checkbox"/> N/A (no discussion was held).</p>	V	
29.	<p>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.</p>	V	
30.	<p>The following persons did not serve on the Compensation Committee during the reporting year –</p>	_____	_____
a.	<p>The controlling shareholder or his relative.</p> <p><input type="checkbox"/> N/A (the Corporation has no controlling shareholder).</p>	V	
b.	<p>Chairman of the Board.</p>	V	
c.	<p>A director who is employed by the Corporation or by the controlling shareholder of the Corporation, or by a corporation under his control.</p>	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.		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. If your answer is “Incorrect”, specify: Type of transaction which was approved, as stated above: _____ Number of times when their authority was exercised during the reporting year: _____	V	

Internal Auditor			
		Correct	Incorrect
33.	The Chairman of the Board or the CEO of the Corporation is the organizational supervisor of the Internal Auditor in the Corporation.	V	
34.	The Chairman of the Board or the Audit Committee have approved the work plan in the reporting year. Details will also be given regarding the audit subjects on which the internal auditor focused during the reporting year: the Company's response to the coronavirus crisis, implementation of recommendations regarding information security and cybersecurity, construction, operation and money management in Poland, and a specific audit of engagements	V	
35.	Scope of Internal Auditor's employment in the Corporation during the reporting year (in hours ⁶⁷): 575.	—	—
	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	

⁶⁷Including work hours which were spent in investee companies and in auditing outside of Israel, as applicable.

Transactions with interested parties			
		Correct	Incorrect
37.	<p>The controlling shareholder or his relative (including a company under his control) is not employed by the Corporation or provides it with management services.</p> <p>If your answer is “Incorrect” (i.e., the controlling shareholder or his relative is employed by the Corporation or provides it with management services), specify –</p> <ul style="list-style-type: none"> - Number of relatives (including the controlling shareholder) who are employed by the Corporation (including companies under their control and/or through management companies): 3 - Have the aforementioned employment and/or management service agreements been approved by the organs prescribed by law: <p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>(Mark X in the appropriate box)</p> <p><input type="checkbox"/> N/A (the Corporation has no controlling shareholder). _____.</p>		V [d]
38.	<p>To the best of the Corporation’s knowledge, the controlling shareholder does not have other businesses in the Corporation’s area of operations (in one or more areas)</p>		

	<p>If your answer is “Incorrect” – Note whether an 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>	V	
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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 the Company also receives services from Mr. Nathan 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: _____