



O.Y. Nofar Energy Ltd.

Periodic Report for 2021



Table of Contents

Preamble

Part A - Description of
the general development
of the Corporation's
business

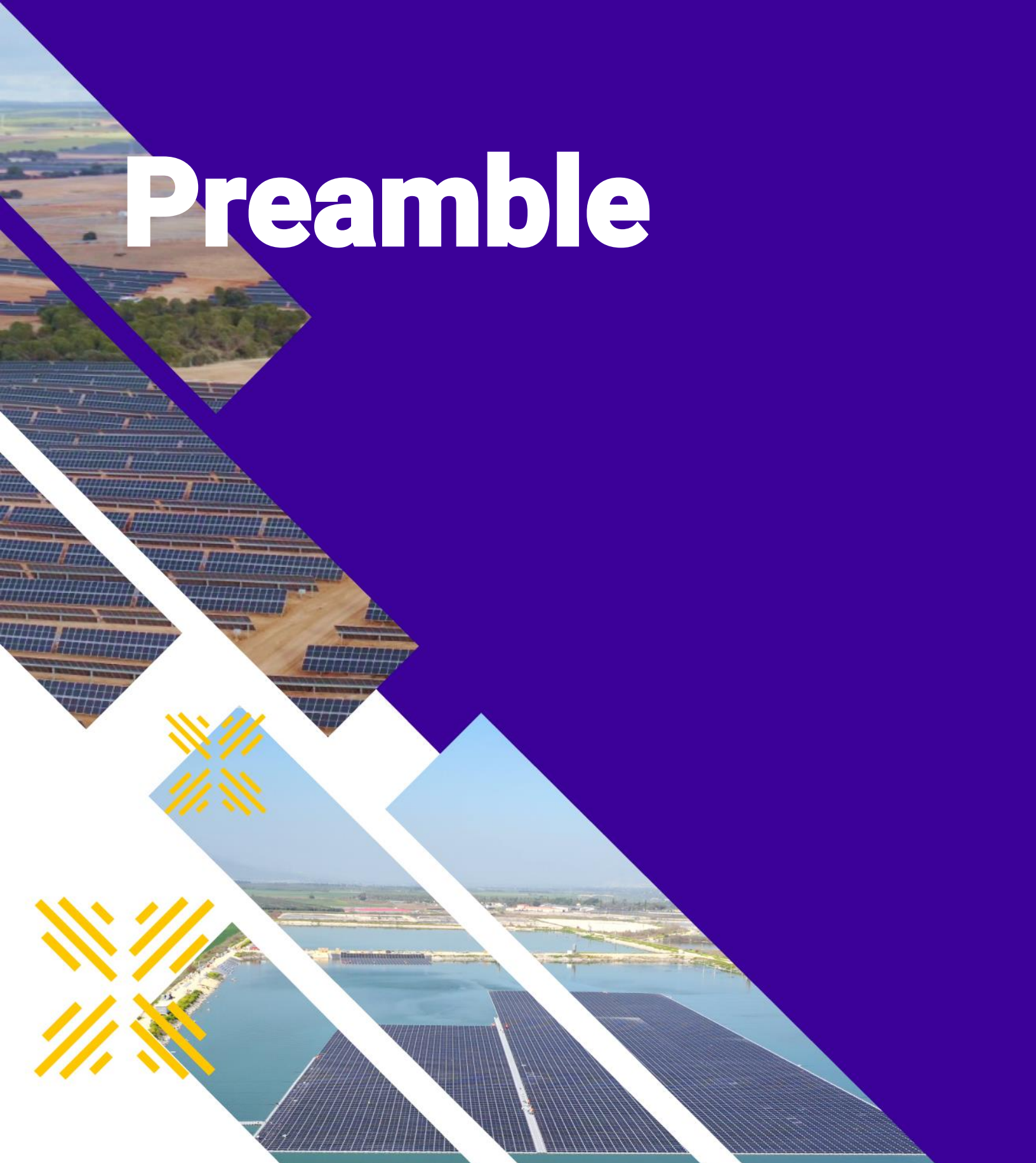
Part B - Report of the
Board of Directors

Part C - Financial
Statements

Part D - Additional
Details of the
Corporation

Part E - Report on the effectiveness of
internal control over financial reporting
and disclosure

Preamble



CEO's Words

Dear Shareholders and Partners,

A remarkable year has concluded, both in terms of the many achievements we have recorded, as reflected, among other things, in an accelerated growth momentum, an exceptional pace of establishment, and a substantial expansion of the project portfolio, and also in terms of the setting up of a global enterprise infrastructure for further development alongside management and control that will spur a further increase in activity over the next several years.

The past year has been characterized by an impressive momentum of establishment and connections, during which we completed hundreds of projects in Israel, Europe and the United States with a total installed output exceeding 300 megawatts. We have strengthened our leadership in the fields of roofs and water reservoirs in the local market, established global growth platforms in Spain, Italy, the USA, Romania, Poland and the United Kingdom. The Company has developed a significant portfolio of high quality projects, led Israeli stockpiling with the first connected projects, and leveraged experience and knowledge to enter the UK stockpiling project, the largest in the UK to the knowledge of the Company. The Company has developed a significant portfolio of high quality projects, led Israeli stockpiling with the first connected projects, and leveraged experience and knowledge to enter the UK stockpiling project, the largest in the UK to the knowledge of the Company.

The Company has a portfolio of connected projects, projects ready for connection, projects prior to and ready for establishment in seven different territories with a total output significantly higher than the forecasts and targets presented when the Company's shares were first issued to the public – approximately 1.2 gigawatts of solar projects and approximately 0.8 gigawatts per hour of stockpile systems. Additionally, in accordance with the works received by the Company from international consulting firms in connection with electricity tariffs in the coming years, the Company estimates that these projects, when connected to the grid, will generate accumulated revenues from electricity production in the first year of the entire project amounting to an estimated 875 million shekels.¹ This is an important milestone, positioning the Company as a significant global IPP specializing in the areas of C&I, Utility and Storage.



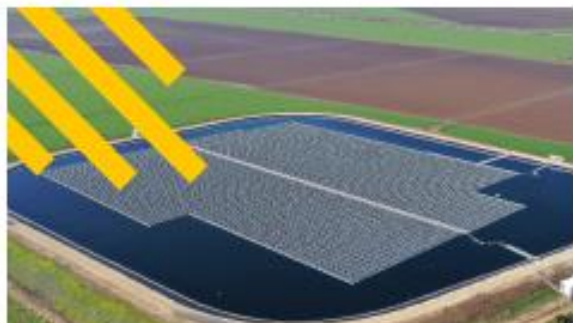
¹ This is projected information as defined in this term in the Securities Law, which depends on factors beyond the Company's control, including the establishment of the systems at the scheduled times by the Company, that no changes in electricity tariffs and in the exchange rate will apply, in relation to the Company's estimates, etc.

In addition, we have established a global infrastructure including approximately 150 employees, in 7 different countries, engaged in the initiation, development, financing, establishment, management and trade of electricity and enabling continued development alongside supervision and monitoring of the hundreds of projects under development and construction in the various territories. The significant progress in the volume of activity, combined with the global array, has allowed us to update the multi-year target plan and set a new target for 2025 – 5 gigawatts of connected renewable energy projects and 2 gigawatts of connected stockpile systems.

I would like to take this opportunity to thank you for your trust and partnership and to commend Nofar Energy employees both in the headquarters in Israel and across all various platforms, for their dedicated, professional and ongoing work, which allows us to continue to record great successes and impressive achievements. I wish us all a productive and successful year of activity!

Regards,
Nadav Tenne, CEO of Nofar
Energy

Nofar in numbers



Annual Revenue
360 Million Shekels

Equity
1.4 billion shekels

PV projects
connected and ready to be connected

Stockpiling Projects
connected, prior to and under establishment
814 (559) * MWh

PV projects
prior to and under establishment
729 (306) * MW

150 employees

Activities in 7 Territories

Expected aggregate revenue from the sale of electricity

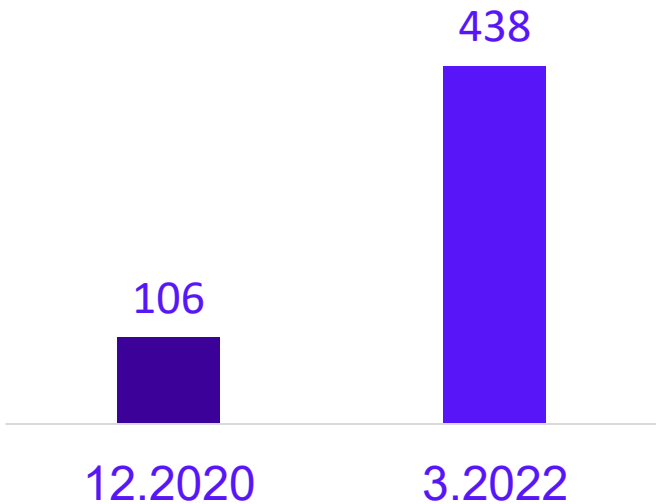
875 million shekels *

(415 million shekels of the Company) during the first year, a representative of income-producing projects prior to and following establishment

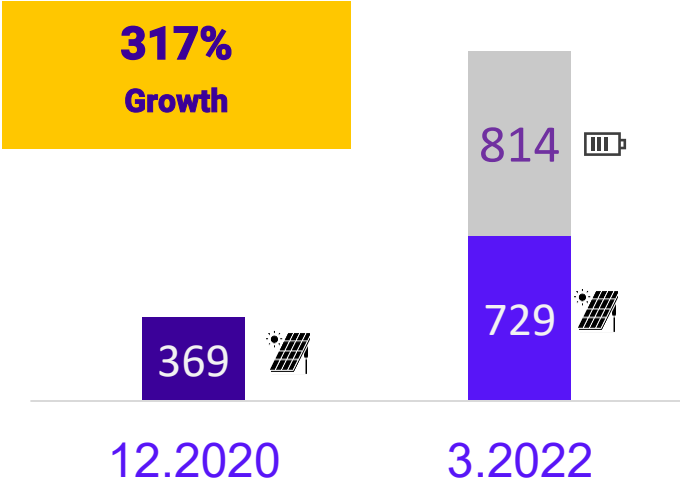


* Based on the backlog of projects that are ready for connection, prior to and under establishment. For details, see Section 1.4 of the Board of Directors' Report. Expected outputs and revenues of the systems in the first year is projected information, as defined in this term in the Securities Law, which includes the Company's estimates regarding the results of the projects as specified. The figure is presented for the purpose of illustrating revenues only, from the performance of the systems in the first year, to the extent that they are completed in discounts used by the company.

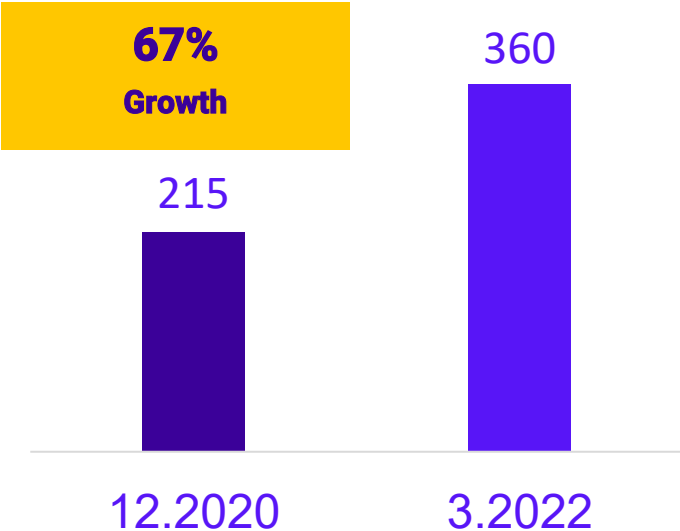
2021 Performance (in terms of 100% holding)



PV projects connected and ready for connection, MW



Solar projects and stockpiling projects connected, prior to and under establishment, MWh



Revenue, in millions of shekels

Part A

Description of the General
development of the
Corporation's Business



Chapter I - Description of the Company's Business for 2021

1. Part One – Description of the General Development of the Company's Business

1.1 Definitions

For convenience purposes, the following are definitions of key terms that appear in this section:

Term	Description
"Regulation"	Regulatory arrangements of the Electricity Authority for creating and selling electricity for the purpose of its transmission into the distribution network, and for the benefit of the electricity consumers' own use, as applicable.
"Controlling Shareholder"	Mr. Ofer Yannay.
"The Stock Exchange"	"The Tel Aviv Stock Exchange"
"2020 Annual Report"	The periodic report for 2020, which was published in the Magna System on March 30, 2021 (reference number 2021-01-049992).
"the Company"	O. Y. Nofar Energy Ltd.
"EPC Agreement", "EPC Agreement" or "Construction Agreement"	Engineering, Procurement and Construction Agreement - a contracting agreement for licensing the design and construction of a power generation Facility, which regulates the relationship between the construction contractor, on the one hand, and the owners of the Facility, on the other hand.
"O&M Agreement" "O&M" or "Operating Agreement"	Operation & Maintenance Agreement - an agreement for the maintenance and operation of a power generation Facility, which regulates the relationship between the operator of the site, on the one hand, and the owners of the Facility, on the other hand.
"Capacity", "System Capacity" or "Facility Capacity"	In relation to photovoltaic Facilities, unless otherwise stated, the panel Capacity (in DC terms ¹) in relation to power storage Systems, the Capacity of the Systems is in MWh.
"The Project Company", "the Project Corporation" or, insofar as it is a corporation held in conjunction with a third party - also "the Joint Project Corporation"	A corporation that is the direct owner of the power generation System held by the Company directly or through a subsidiary, alone or in conjunction with third parties, as the case may be.
"the Group's Companies" or "the Group"	The Company and the corporations held by it directly and through a subsidiary, including together with third parties.
"Companies Law"	the Companies Act 5759-1999.

¹ The DC power in terms of Capacity reflects the installed panels, which are the power generation element.

Term	Description
the Companies Act, the Securities Act, as amended from time to time, and the regulations made or that will be made by virtue thereof, and any statute in effect concerning companies that applies to the Company at that time.	Securities Act, 5728-1968.
"The Electricity Sector Act"	The Electricity Sector Law, 5756-1996.
"IEC" or "IEC"	Israel Electric Corporation Ltd.
"water reservoir", "water reservoirs", or "reservoir"	Water reservoirs and fishponds.
"Date of the report"	March 28, 2022.
"System", "Systems", "Project", "Projects", "Facility" or "Facilities"	Solar power generation Systems in photovoltaic technology and power storage Systems, as applicable.
"Commercially Operated Systems"	Systems whose construction has been completed and the electricity produced or stored in them is being transmitted to the relevant electricity grid.
"Systems under construction and in pre-construction"	Systems that are under construction or advanced planning and licensing procedures towards construction that are expected to begin in the next twelve (12) months.
"Licensed Systems" or "Advanced Development Systems"	(A) Systems that have received a quota or have been registered for a relevant series that does not have a risk of not receiving a quota, and that are under planning and licensing procedures, (B) solar Systems on roofs that are expected to be ready for construction (Ready To Build) within 15 months, and (C) ground Systems or storage Systems that are expected to be ready for construction (Ready To Build) within 24 months.
"Systems Under Development"	Systems found at various stages of development (and which are not Systems under construction, pre-construction or advanced development).
"Storage Systems" or "Electrical Storage Systems"	Battery Energy Storage Systems
"Systems ready for connection"	Systems for which the physical construction phase has been completed in full or for which a connection request has been submitted, but which have not yet been connected to the electricity grid.
"Net Meter Systems"	Photovoltaic Systems operating by virtue of a Regulation of the Electricity Authority known as "Net Meter" ² .

² For details regarding the net meter arrangement, see section 3.1.1.2 below.

Term	Description
"Tariff Systems"	Photovoltaic Systems operating by virtue of tariff Regulation ³ with a flat rate for electricity produced through them and transmitted into the distribution network for a specified period.
Noy-Nofar Europe	Noy-Nofar Renewable Energies Europe, a Limited Partnership, held 60% by the Noy Foundation and 40% by the Company.
"Nofar Europe"	Nofar Europe B.V., a corporation held 90% by the Company, through a subsidiary.
The Noy Fund	Noy Fund 3 for investment in infrastructure and energy Limited Partnership and Noy Fund 4 for investment in infrastructure and energy Limited Partnership. For details, see Section 3.3 of Chapter 3 of the Company's Prospectus, which is incorporated in this report by reference thereto.
"Rami"	Israel Land Authority.
"Electricity Authority"	The Authority for Public Services - Electricity, which is the body in charge of regulating the electricity sector in Israel.
"The Conduction Grid."	The System in charge of conducting electricity produced in various upper voltage generating units, to switchgear stations and substations ⁴ deployed worldwide.
"Distribution network"	A System responsible for the distribution of electricity from the substations to the consumers through high voltage lines, low voltage lines and distribution transformers.
"the Company's prospectus"	Prospectus for Completion published by the Company on December 8, 2020, issue date December 9, 2020, reference no. 2020-01-133446.
"Andromeda"	Andromeda Solutions Korlátolt Felelősségű Társaság, a corporation held 100% by Noy-Nofar Europe.
"Atlantic Green"	Atlantic Green UK Limited, a corporation held 75% by the Company and 25% by the Interland Group engaged in the development of battery power storage Projects in the UK.
"AC"	alternating voltage, which exists in the electricity grid (the Distribution Grid and the Conduction Grid).
"Blue Sky" or "BSU"	Blue Sky Holding LLC and Blue Sky Utility Holding LLC, corporations engaged in the development of solar Projects primarily on commercial centers in the United States, are 67% held by the Company.

³ For details regarding tariff schedule, see Section 3.1.1.2 below.

⁴ Substations and switching stations are Facilities that link electricity networks and in which a process of transforming the voltage from upper ultra-high voltage (400 kV) to upper voltage (161 kV) or from upper voltage (161 kV) to a higher voltage (33 or 24 kV) takes place.

Term	Description
"DC"	Direct voltage, present at the outlet from the solar panels. It should be noted in the report that DC terms are used since the revenues from the sale of electricity are derived from the power of the panels that are in DC voltage.
"Electrum Nofar"	Nofar Electrum Energy sp. Z o.o., a corporation held 80% by Nofar Europe and 20% by Electrum Sp. Z O.O, engaged in the development of solar Systems and wind Projects in Poland.
Nofar USA »»	Nofar USA LLC, a corporation, held through a subsidiary, 100% by the Company.
"Nofar Energy Srl"	Nofar Energy Srl, a corporation operating in Romania wholly held by the Company.
"Noventum"	Noventum Power Limited, a corporation held 80% by the Company and 20% by a third party that is a private Company engaged in the development of solar and wind Projects in the UK.
"Ratesti"	Ratesti Solar Plant Srl, a corporation held 50% by the Company and 50% by Econergy International Ltd..
"Sunprime"	Sunprime Generation Srl, which is held at 30% by Andromeda (and Andromeda has an option to increase its holding to 50%).

1.2 The Company's Activities and a Description of the Development of Its Businesses

1.2.1 General

The Company was incorporated as a Private Company in April 2011. In December 2020, the Company completed a public offering and registration for trading of its shares on The Stock Exchange, and from that date the Company is a Public Company (as defined in the Companies Law).

The Company engages, itself and through corporations held by it, directly and through a subsidiary, including with third parties, in initiating and investing in long-term activities in "clean" power generation Systems from solar energy, and battery power storage Systems in Israel, the United States and Europe, as well as in the construction (EPC), operation and maintenance (O&M) of photovoltaic Systems and storage Systems in Israel, mainly for corporations held by it, including in collaboration with third parties.

The Company's activities are based on the creation of collaborations with local developers abroad, kibbutzim or real estate companies in Israel, for the establishment of a joint corporation which is held by the Company and the Partner in parts, as agreed between the parties. In Israel the collaborations are with kibbutzim or real estate companies with landowners or suitable sites for the establishment of the corporations, and abroad the collaborations are with local entrepreneurs with the knowledge, experience and ability to set up and execute the Projects.

In addition, in Israel, the Company is also a construction Contractor and maintenance Contractor for most of the Projects, operating throughout the value chain of the Systems' construction, which provides the Company with knowledge, experience and reputation, enables the Company to oversee the design, construction and maintenance of the Projects and initiate Projects that include the use of unique technologies (such as floating Systems, storage Facilities, etc.), which provides the Company and its Partners in the Projects with a significant share of the profit resulting from the initiation of the Project, and contributes to the promotion of the Systems owned by the Group's Companies in a relatively short period of time, as well as to these Systems being designed and maintained in an optimal and efficient manner.

1.2.2 Structure of the Company's Activities

As of the date of the report, the Group's activities in the field of renewable energy are divided into three fields of activity:

- 1.2.2.1 Development and investment in Israel - The Company engages, itself and through corporations held by it, in the development and holdings of solar power generation Systems in Israel, on roofs, reservoirs and lands, and Systems for long-term storage of electricity (hereinafter: **the field of development and investment in Israel** ").

As of the date of the report, most of the activities in this field are carried out through affiliated companies, which hold hundreds of solar Systems and storage Systems in commercial operation, which produce and sell electricity to private consumers, electricity distributors or the IEC. In addition, as part of the development and investment in Israel, the Company engages with its Partners in the development of hundreds of solar Systems and battery storage Systems.

For further details regarding the Group's activities in the field of initiation and investment in Israel, see clause 2below.

1.2.2.2 Construction and operation in Israel -The Group is engaged in construction (EPC), operation and maintenance (O&M) of Systems solar Systems and storage Systems held by the Company in conjunction with third parties (through the joint Project Corporations) and Systems held by the Company (directly and through fully owned corporations) as part of the Company's activities in the field of development and investment in Israel (hereinafter: "**The field of construction and operation** ").

For further details regarding the Group's activities in the field of construction and operation, see section3.2below.

1.2.2.3 Initiating and investing in renewable energies abroad - The Group is engaged in initiating, developing, establishing, financing, managing, operating and maintaining solar power generation Systems, wind power generation Systems and battery power storage Systems, in order to hold them long-term in the United States, Poland, the United Kingdom, Spain, Italy, Romania, Serbia and the Czech Republic. In addition, the Company is regularly reviewing entry into additional territories and establishing additional development platforms around the world.

For further details regarding the Group's activities in the field of initiation and investment in renewable energies abroad, see section 3.3 below.

1.2.3 Development of the Company's Activities and the Group's Companies

For details regarding the development of the Company, see Section 1.5 of the Board of Directors' Report.

The following table describes in summary the Projects held and promoted by the Group's Companies broken down by country and Project status:

Solar Systems

		Israel		Spain	Italy	Romania	USA	Poland	Total
	Accounting treatment	Affiliated Companies ⁽¹⁾	Subsidiaries ⁽²⁾	Affiliated Companies ⁽³⁾	Affiliated Companies ⁽³⁾	Affiliated companies	Subsidiary Companies	Subsidiary Companies	
Commercially Operated and	Power in MW	372.1	49.3	169.0	9.8	-	14.6	-	614.8

	Accounting treatment	Israel		Spain	Italy	Romania	USA	Poland	Total
		Affiliated Companies ⁽¹⁾	Subsidiaries ⁽²⁾	Affiliated Companies ⁽³⁾	Affiliated Companies ⁽³⁾	Affiliated companies	Subsidiary Companies	Subsidiary Companies	
Connection Ready Systems	Average holding rate (*)	10%	80%	38%	12% -20%	-	67%	-	25%
Systems under construction and in pre-construction	Power in MW	615.3	113.9	238.5	120.2	155.0	63.1	40.0	1345.9
	Average holding rate (*)	35%	78%	36%	12% -20%	50%	67%	90%	42%
Systems Under Advanced Development	Power in MW	225.7	381.3	-	50.5	-	42.0	335.9	1035.4
	Average holding rate (*)	37%	76%	-	12% -20%	-	67%	77%	64%
Systems Under Development	Power in MW	719.2	429.9	-	81.5	-	207	222	1659.5
	Average holding rate (*)	31%	70%	-	12% -20%	-	67%	72%	50%

Storage Systems

	Accounting treatment	Israel	United Kingdom	Total
		Affiliated Companies ⁽¹⁾	Subsidiary Companies	
Commercially Operated and Connection Ready Systems	Capacity in MWh	5.9	---	5.9
	Average holding rate (*)	38%	---	38%
Systems under construction and in pre-construction	Capacity in MWh	110.1	698	808.2
	Average holding rate (*)	30%	75%	69%
Systems Under Advanced Development	Capacity in MWh	650	---	650
	Average holding rate (*)	35%	---	35%

(*) The holding rate is calculated according to the multiplier method as a weighted mean, in the subsidiary as of the date of the report in relation to the holding rates and System capacities.

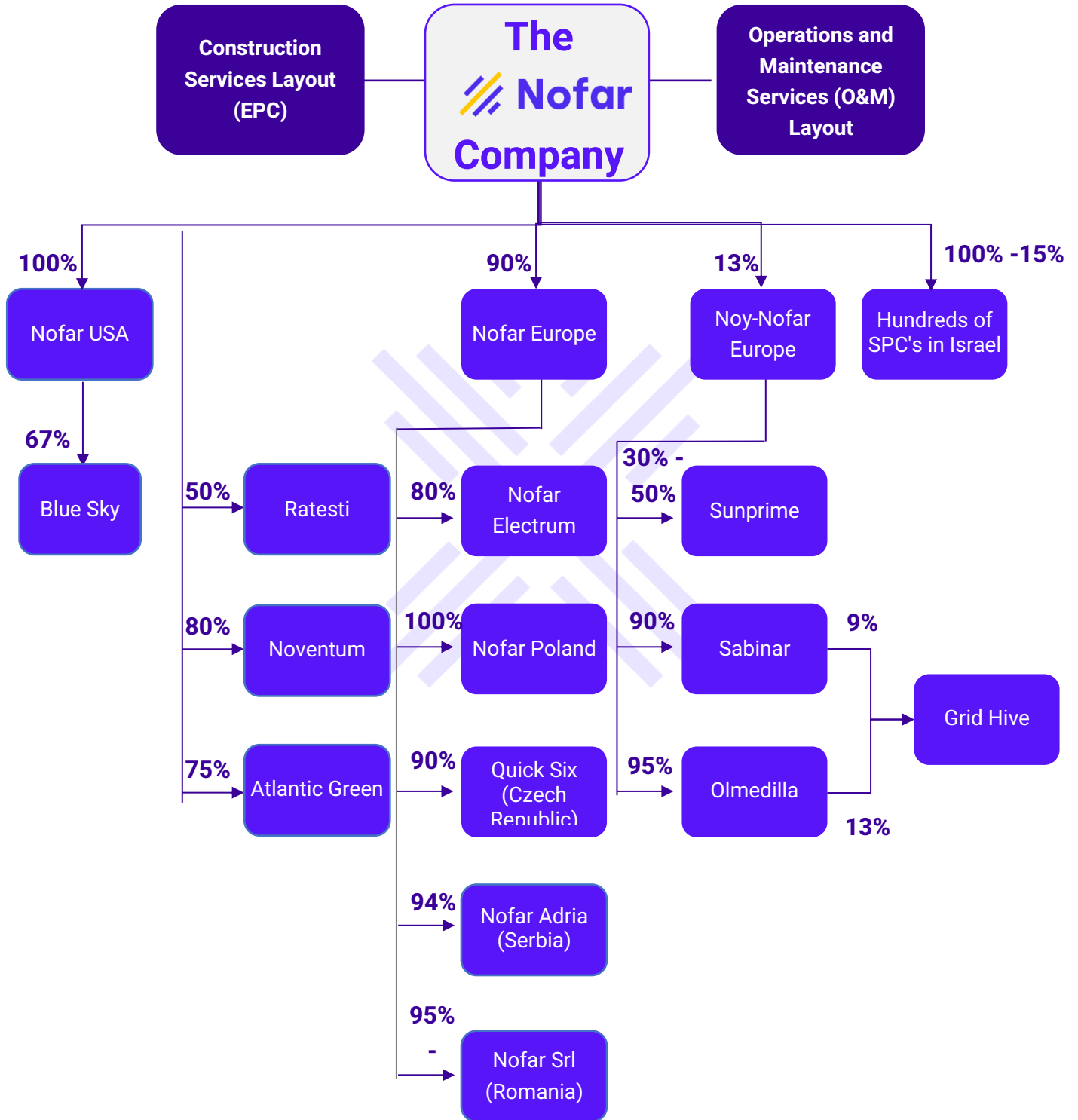
- (1) The affiliated companies are the Project Corporations that hold the Systems. These corporations are incorporated as companies, agricultural partnerships or limited partnerships. As of the date of the report, the Company holds dozens of corporations that hold Projects in the stages of development, licensing, pre-construction, construction or commercial operation.
- (2) Some of the Systems are held by the Company and some through Project Corporations (Limited Company or Limited Partnership) wholly owned by the Company. It should be noted that in relation to some of these Systems the landowner has the right to purchase the rights to the Project. See Section 3.1.1 for details.

⁽³⁾ The Projects are held through Noy-Nofar Europe. The remaining rights in the Nofar-Europe Fund and its general Partner (60%) are held by the Noy Fund.

For further details regarding the Projects, see section 1.4 of the Board's report.



1.2.4 Main structure chart of group's holdings ⁽¹⁾



- 2 The chart is schematic, reflecting the structure of holdings in the Company's corporations as of the date of the report, does not include a detailed holdings description in relation to each Project Corporation and does not include inactive corporations or holding corporations.

1.3 Investments in the Company's capital and transactions in its shares

Below are details regarding investments in the Company's capital and transactions in its shares that were carried out outside The Stock Exchange during the years 2019 to the date of the report:

Investor Identity	Method of Conducting the Transaction	Transaction Date ⁵	Number of Shares Allotted/Sold:	Purchase Price Received	The Value of avCompany Derived from the Exchange
Noy Fund(*) ⁶	Purchase of 656 Company shares from the Controlling Shareholder (" Sold Shares ")	10.9.2020	Total 50,190 ordinary shares	NIS3,100 thousand paid by the Noy fund to the Controlling Shareholder in respect of the shares sold	NIS913-949 million is derived from the cash proceeds ⁷ . In addition, the Company received as part of the transaction 40% of the rights in Noy-Nofar Europe ⁸ .
	Allotment of 49,534 shares of the Company (the " Allocated Shares ")			NIS224,900 thousand paid to the Company for the allotted shares	
Nadav Tene, CEO of the Company (**) ⁹	Allotment of the Company's shares, for no consideration, pursuant to Section 102 of the Income Tax Deposits [New Version]	10.9.2020	20,080 ordinary shares	---	---
Noam Fisher, CFO ⁹			20,080 ordinary shares		
Shahar Gershon VP of Business Development ⁹			11,306 ordinary shares		

⁵ The transaction date is the date of allotment or transfer of the shares to the investor.

⁶ For further details regarding the terms of the transactions, see section 4.7.1 below and 4.7.3 in the chapter of the description of the business of the corporation in its periodic report for 2020, which is incorporated in this report by reference thereto.

⁷ The value was calculated according to the amount paid in cash in respect of the shares sold and the rate of these shares out of the issued capital of the Company after completion of the transaction, and the amount paid in cash in respect of the allocated shares and the rate of these shares out of the issued capital of the Company after completion of the transaction, both without regard to additional conditions included as part of the transaction.

⁸ For details, see Section 4.7.4 in the Description of the Corporation's Business in the Periodic report for 2020, which is incorporated in this report by reference thereto as well as Section 4.7.2 below. The Company's participation in the investment in Noy-Nofar Europe by the Noy Fund was made against the Company's undertaking to invest a proportionate share in Noy-Nofar Europe, in accordance with the rate of its holding in Noy-Nofar Europe, from the amount invested by the Noy Fund in Noy-Nofar Europe in the amount of 13.7 million EUR, plus interest At a nominal annual rate of 10.5%.

⁹ For further details regarding the terms of the transactions, see section 4.2.3 in the chapter of the description of the corporation's business in its periodic report for 2020, which is incorporated in this report by reference thereto.

Investor Identity	Method of Conducting the Transaction	Transaction Date ⁵	Number of Shares Allotted/Sold:	Purchase Price Received	The Value of avCompany Derived from the Exchange
Altshuler Shaham Provident and Pension Ltd. ¹⁰	Private Assignment	27.10.2021	2,790,958	200,000,050	NIS2,411,205,434
Phoenix Insurance Company Ltd. ¹⁰			2,612,623	187,221,209	
Migdal Insurance and Finance Holdings Ltd. ¹⁰			500,000	35,830,000	

Investor Identity	Method of Conducting the Transaction	Transaction Date ⁵	Number of Shares Allotted/Sold:	Purchase Price Received	The Value of avCompany Derived from the Exchange
YD Moore Investments Ltd. ¹⁰			1,283,126	91,948,810	
Safra Foundation ¹⁰			418,643	29,999,957	
¹⁰ Hazavim fund			139,548	10,000,011	
Trustee for the Company's employees ¹¹	Allocation of options to employees and officers of the Company	29.12.2021	683,824 convertible options into shares of the Company	---	NIS2,600 thousand

1.4 Dividend distribution

1.4.1 In the two years prior to the date of the report, no dividends were distributed by the Company.

1.4.2 As of December 31, 2021, the Company has a negative earnings balance of approximately NIS226,071 thousand.

1.4.3 Some of the engagement documents with the Company's banks include a prohibition on distributing dividends without the Bank's approval (for details see section 4.5.1 below). In addition, the Company has obligations to meet financial criteria (as specified in section 4.5) that limit the Company's ability to distribute dividends to its shareholders. Additionally, as part of the Deed of Trust signed in

¹⁰ For further details see the immediate reports published by the Company on October 25, 2021 (reference number 2021-01-090994) and October 27, 2021 (reference number 2021-01-091786), which is incorporated in this report by reference thereto.

⁵ The transaction date is the date of allotment or transfer of the shares to the investor.

¹¹ For further details, see the immediate reports published by the Company on July 22, 2021 (reference number 2021-01-056968) and December 30, 2021 (reference number 2021-01-187158), which is incorporated in this report by reference thereto.

connection with the issuance of the bonds (Series A), the Company undertook that until the final repayment of the bonds, the execution of a distribution will be subject to the fulfillment of the conditions set forth in the Deed of Trust (that the equity will not be less than NIS550 million, the ratio between solo equity and total solo balance will not be less than 35%, from December 2023 the ratio of consolidated net financial debt to EBITDA will not exceed 15, that the amount of the distribution will not exceed 50% of the net profit of the Company that will be produced as of 30.6.2021, that there are no grounds for providing bonds for immediate repayment, no warning signs exist and the Company's Board of Directors determined that there is no concern that due to the distribution the Company will not be able to repay the bonds).

Apart from the aforementioned, it shall be noted that dividend distributions to the Company from corporations held with Partners are subject to the consent of the Partners (for details see section 3.1.1.1, 4.7.1 and 4.7.2). Additionally, the financing agreements entered into by the Group Companies **include** obligations to meet financial criteria that actually limit the ability to distribute dividends to the Company as well as various restrictions in relation to distributing dividends and making payments to their shareholders, including to the Company (such as maintaining appropriate deposits/reserves and limiting the amount of annual distributions).

2. Part Two - Other Information

2.1 Financial information regarding the fields of activity

The following is the Company's financial data, broken down into fields of activity, for 2019, 2020 and 2021 (all data is presented in thousands of NIS). Unless explicitly stated otherwise, the data in the report is according to the Company's financial statements:

	2021					2020					2019			
	Development and Investment in Israel ⁽¹⁾	Construction and operation in Israel	Development and Investment Abroad ⁽²⁾	Adjustments to the financial statements	Financial Statements	Development and Investment in Israel ⁽¹⁾	Construction and operation in Israel	Development and Investment Abroad ⁽²⁾	Adjustments to the financial statements	Financial Statements	Development and Investment in Israel ⁽¹⁾	Construction and operation in Israel	Adjustments to the financial statements	Financial Statements
Revenue from External services	35,394	12,524	2,355	(27,874)	22,399	19,861	11,901	---	(13,886)	17,876	9,786	35,904	(6,796)	38,894
Inter-segment Revenue	---	339,219	---	(856)	338,363	---	196,692	---	---	196,692	---	102,754	---	102,754
Total Revenue	35,394	351,743	2,190	(28,730)	360,762	19,861	208,593	---	(13,886)	214,568	9,785	138,658	(6,796)	141,648
Costs arising from external services ⁽³⁾	3,273	320,212	33	3,509	327,027	1,478	176,589	---	3,067	181,134	674	109,752	10,449	120,875
Costs constituting revenues of other sphere of activity	8,523	---	---	(8,523)	---	4,403	---	---	(4,403)	---	1,809	---	(1,809)	---
Total costs	11,796	320,212	33	(5,014)	327,027	5,881	176,589	---	(1,336)	181,134	2,483	109,752	8,640	120,875
Operating profit	23,598	31,531	2,322	(23,716)	33,735	13,980	32,004	---	(12,550)	33,434	7,302	28,907	(15,436)	20,773
Total Assets ⁽⁴⁾	244,462	294,927	1,628,830	---	2,168,219	153,220	251,565	653,961	---	1,058,746	72,737	84,227	---	156,964
Total liabilities ⁽⁵⁾	103,741	89,775	531,280	---	724,796	90,031	144,014	---	---	234,045	33,733	79,713	---	113,446

⁽¹⁾ The results of the field of development and investment in Israel reflect, among other things, the Company's share in the results of the various Joint Project Corporations, according to the holding rate of the Company through the subsidiary in each.

With respect to the Systems that began operating during the year of activity - the table includes only actual results, starting from the various operating dates until the end of the calendar year. For the predicted results of the Company's Systems in commercial operation for the full year of activity, see section 3.1.1.2.2 below.

⁽²⁾ The field of initiation and investment abroad includes the activities of Blue Sky, the Company's investments abroad, and the Company's share in the results of Noy-Nofar Europe. This activity became a field of activity when the acquisition of holdings in Blue Sky was completed. Accordingly, as of 31.12.2020 this activity was not a segment of the Company's financial statements for 31.12.2020.

⁽³⁾ Costs arising from external services are direct costs only which include outdoor work and materials only.

⁽⁴⁾ Total assets of the field of development and investment in Israel was calculated in accordance with investments in held corporations accounted for under the equity method plus the value of photovoltaic Systems included in the Fixed Assets section. The other assets in the Company's balance sheet were classified to the field of construction and operation in Israel.

⁽⁵⁾ Total liabilities in the field of development and investment in Israel was calculated in accordance with the amounts of loans provided for the construction of the photovoltaic Systems. The other liabilities in the Company's balance sheet were classified to the field of construction and operation in Israel.

For the Board of Directors' explanations of the Company's financial data, see the Company's Board of Directors' report attached in Part II of this report.



2.2 General environment and the impact of external factors on the Company's operations

Below are the Company's assessments as to trends, events and developments in the Group's macroeconomic environment, which, to the best of the Company's knowledge and assessment, have, or are expected to have, a material impact on the business results or developments in the Group.

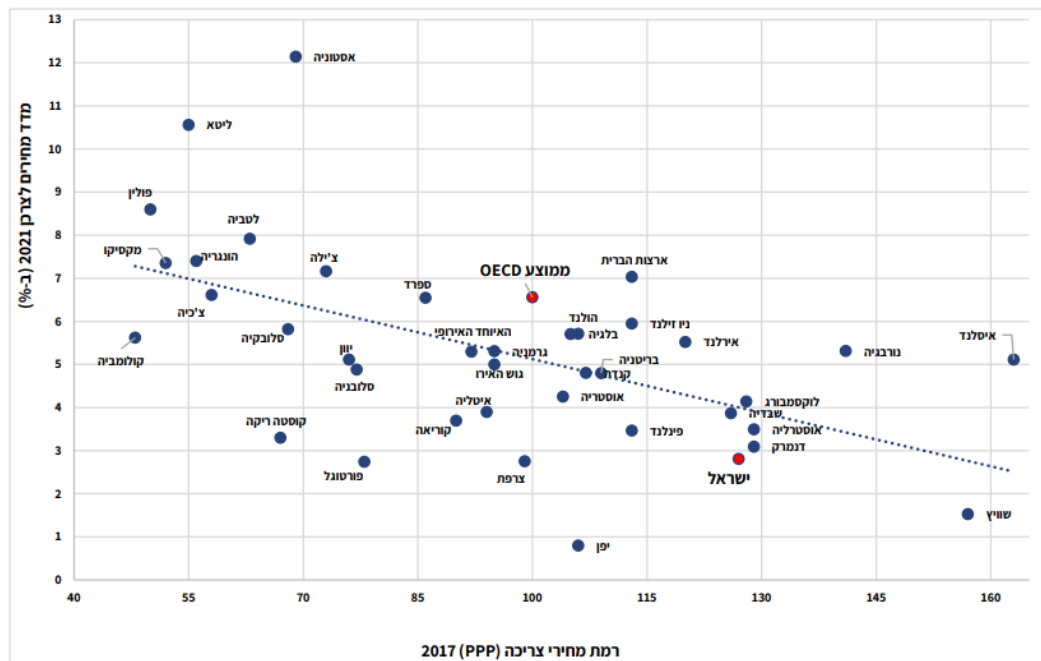
The provisions of this section regarding the Company's estimates constitute forward-looking statements, as this term is defined in the Securities Law, based on public publications, and as such it is uncertain.

2.2.1 Overview

The year 2021 was characterized as a year of global recovery after the impact of the COVID-19 pandemic due to moderation in morbidity and an increase in global vaccination rates, which was accompanied by the removal of restrictions on economic activity and a return to normal life. The rapid return to normality has led to sharp global growth. However, a slower response of an increase in the supply of consumer goods and commodities and disruptions to the global supply chain have created a global supply shortage, which led to a worldwide rise in consumer price indices in 2021. For example, in 2021, in the OECD countries, the consumer price index rose by an average of 6.6%, and in Israel by

an average of 2.8%¹².

Below is a chart showing the change in the consumer price index in 2021 and the level of consumer prices in terms of purchasing power¹³:



Despite the rise in the CPI, as well as the fact that in most countries the annual rate of inflation was higher than the targets, in 2021 the short-term interest rates set by the US and European central banks remained unchanged¹⁴. It should be noted in this context that central banks have begun to publish and "signal" to the public, about an expected change in approach through the reduction of quantitative expansion.

¹² Israel Knesset Research and Information Centre, "Prince increase in 2021 in Israel and developed countries", February 2022. It should be emphasized that the Company has not received approval for the inclusion of the external sources of information listed in this report for their inclusion.

¹³ See footnote 12.

¹⁴ The Bank of Israel, "The Monetary Policy Report for the Second Half of 2021", January 2022.

In March, the Chair of the US Federal Reserve ("Fed") announced a quarter of a percent increase in interest rates in the US and in England the Central Bank raised interest rates three consecutive times to the rate of 0.75%.

In addition, after a few tense weeks, on February 24, 2022, Russia began an all-out attack on Ukraine and its end or continuation is uncertain as of this date. Beyond the humanitarian crisis among the Ukrainian population, the war is affecting the world's economies, including creating high volatility in world exchanges as well as a sharp rise in oil and energy prices.

2.2.2 The global energy sector

The global energy sector is undergoing, in recent months, processes that have led to a sharp rise in the prices of energy products. Among other factors associated with the increase, we can note the change in the trend and the increase in scale of renewable energies of all energies the world consumed. During the last decade the proportion of renewable energies has increased from 8% to 12%¹⁵. In recent years, there has been a decrease in the business sector's investments in fossil fuels and related technologies, while in order to meet the energy demand in the coming years, significant investment is required in these sectors. This imbalance created a gap in the supply of fuels required and accordingly, led to an increase in energy prices¹⁶.

In 2021 and also in early 2022, there is an energy crisis in Europe stemming mainly from a shortage of natural gas supply which serves as a source of approximately 24% of the continent's total energy consumption¹⁷. During this period, there was a sharp and significant increase in natural gas prices in Europe, from a price of \$20.1 at the beginning of 2021 to a price of \$192 at the peak (on February 27, 2022).

¹⁵ Ministry of Energy, "Global Energy Sector Crisis 2021", November 2021.

¹⁶ See footnote 15.

¹⁷ European Union Statistics Office website.

Below is a chart showing the increase of natural gas prices in the Dutch market (TTF) from the major gas markets (Spot) in the European countries during 2021 to close to the publication of this report.



According to the publications, the main reasons for the sharp rise in the prices of natural gas in Europe are mainly attributable to: (a) low natural gas inventories in the storage Facilities in Europe compared to previous years ¹⁸ ; (b) a decrease in the domestic production of natural gas in Europe and reliance on the import of liquefied natural gas (LNG); (c) a dependence on imports of natural gas from Russia and the Ukraine war (early 2022); (d) the instability of winds in the North Sea during the month of November 2021, which contributes to reduction of energy supply from renewable sources.

As mentioned above, during February 2022 a war began between Russia and Ukraine. In the energy aspect, as mentioned above, Russia is a major supplier of natural gas to Europe ¹⁹ , providing about 30% to 40% of the total natural gas in the entire continent, including rates of about 75% in some Eastern European countries (such as: Bulgaria, Latvia, Romania, Hungary, Austria and Finland). In addition, the future of the European infrastructure Project Nord Stream 2, which is wholly owned by a Russian government company (Gazprom) and includes a 1,200-kilometer-long gas pipeline in the Baltic Sea that was expected to pump gas from Russia to Germany, is now uncertain. Impeding Russian gas flow to Europe will require rapid adjustments on the part of the European Union and will likely have a material impact on energy and electricity prices in Europe and around the world.

¹⁸ See footnote 15.

¹⁹ Aurora Energy Research Limited "Impact of Russia-Ukraine war on European Gas Markets: Can Europe cope without Russian Gas?", March 2022.

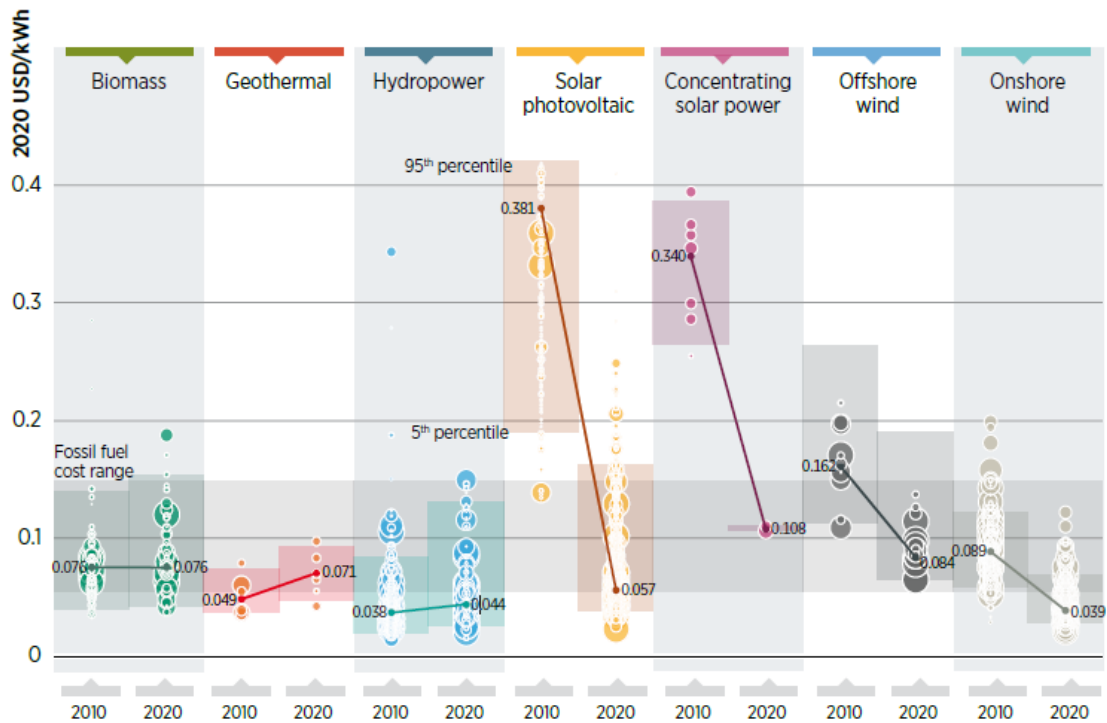
2.2.3 Transition to renewable energies

As stated above, the scale of renewable energies out of all the energies consumed by the world is consistently increasing in recent years. One of the main reasons for this change is the global consensus that changing the way energy is generated is critical for dealing with the climate crisis and reducing greenhouse gas emissions. This consensus is reflected in the fact that over 140 countries around the world have adopted plans to reduce greenhouse gas emissions and transition to renewable energies ²⁰ . The adoption of these programs led to government support for the development of renewable energies in terms of both regulatory support and economic incentives for encouraging entrepreneurs to invest and develop the industry.

In addition, in the last decade there has been a significant decrease in the price of the construction of renewable energy Systems, mainly the costs of the construction of wind and solar energy Systems. Among other things, a decrease of 56% in the cost of wind energy and a decrease of 85% in the price of solar energy between 2010 and 2020, when compared to a decrease in the prices of solar energy, a decrease of 95% in the costs of solar panels can be noted.

²⁰ International Renewable Energy Agency (IRENA), "World Energy Transitions Outlook", June 2021.

Below is a diagram showing the main changes in the costs of establishing renewable energy Systems



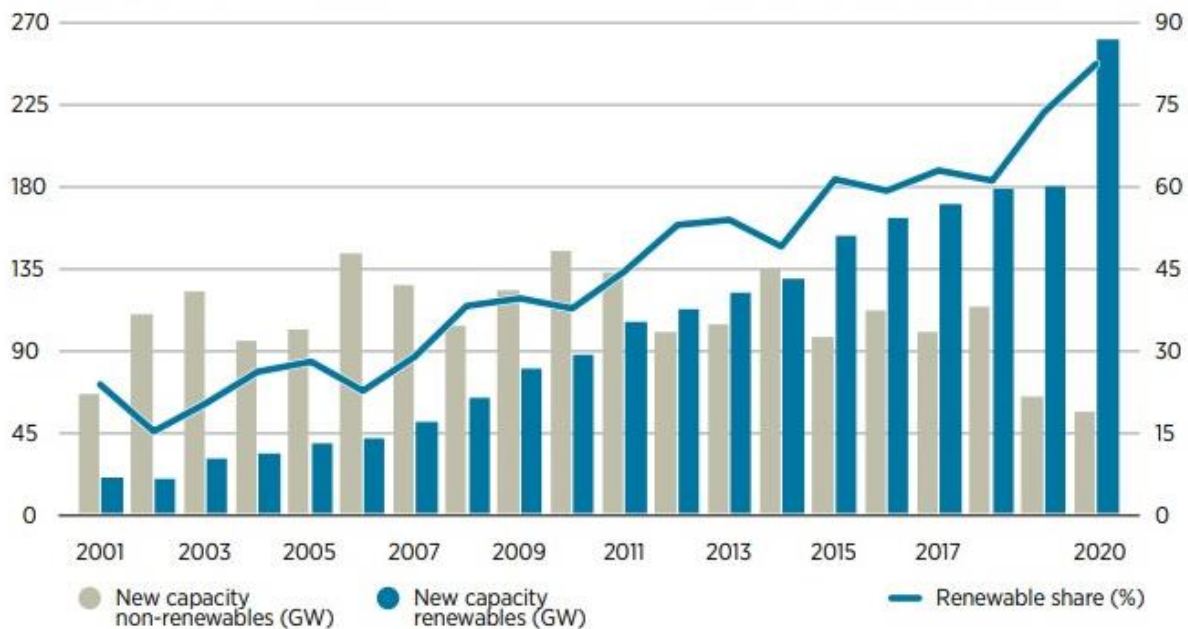
between 2010 and 2020 ²¹ :

The combination of the reduction in construction costs, and the global consensus regarding the need to transition to renewable energy, has led to the fact that in the last seven (7) years more renewable energy sources have been connected to the global grid each year, as opposed to fuel-based energy (Fossil) and atomic energy, combined. For demonstration purposes, during 2020, 260 gigawatts of renewable energy were added to the global grid, four times more than the addition of installed Capacity of non-renewable energy sources ²² .

²¹ See footnote 20.

²² See footnote 20.

The following is a diagram showing the rate of connection of renewable energies from the total connection of new energy sources to the energy grid between 2001 and 2020 ²³ :



The transition to the use of renewable energies requires extensive investments for the construction of these Systems as well as for upgrading the electrical infrastructure required for the conduction of electricity from these Systems. In this regard, it should be noted that in 2021 approximately 920 billion USD were invested in low carbon emissions ventures, such as: renewable energies, storage, hydrogen, vehicle charging, including significant capital market fundraisers (IPOs, secondary fundraisers, SPAC mergers) by high-tech climate companies (Climate-Tech) ²⁴ . Despite the growth in investment volume in 2021, the continued growth of renewable energy, in order to meet the goals of reducing greenhouse gas emissions, will require significant investment growth, with estimates referring to an investment of \$131 trillion by 2050 for meeting these goals.

²³ See footnote 20.

²⁴ See footnote 20.

2.2.4 Climate

The outputs of the solar installations (and consequently, the profitability of the photovoltaic Systems) are mainly affected by the levels of solar radiation and by temperature and atmospheric pressure conditions. Therefore, in the summer months, when the radiation is relatively high and there is no major cloud cover, the output of the solar Facilities increases, and vice versa.

Major cloud cover, sand, moisture, temperatures significantly different from the annual average and weather conditions which are not optimal may reduce the output of electricity produced. In addition, unforeseeable environmental events, such as floods, sandstorms and earthquakes, may result in the shutdown and destruction of the Systems established and thus impair the period of operation of the Projects and their profitability. The variability in the climate in the different countries, causes variability in the annual hours of production between the countries.

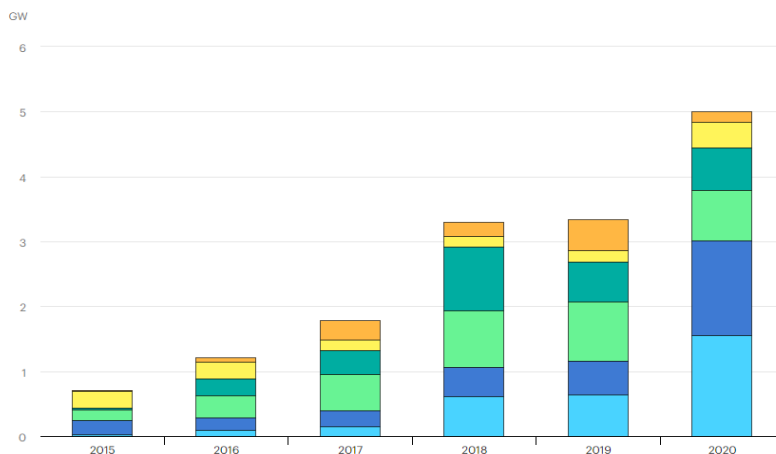
2.2.5 Exchange Rate Fluctuations

The income of the Group's Companies as entrepreneurs in Israel is in New Israeli Shekels and the construction price of the Projects is determined in New Israeli Shekels. On the other hand, some of the components of the Systems were purchased in foreign currency (mainly in USD and EUR) and the investment activities of the Company abroad are performed in foreign currency (EUR, USD, GBP, PLN, etc.). Accordingly, fluctuations in the exchange rates of the relevant currencies, may affect both the results of the field of construction and maintenance and the rates of return on the capital generated by the Company's offshore Projects.

2.2.6 Development of the electricity storage sector

The growing scope of the use of renewable energies requires the use of complementary Systems - flexible energy supply Facilities that will provide reliable electricity supply alongside grid stabilization capabilities for the electricity grid. Accordingly, in recent years there has been a sharp growth in the Capacity of electricity storage Facilities around the world. According to the publications, the Capacity of storage Systems installed by the end of 2020 stood at GW17, with about 5GW Projects added in 2020 alone, mainly in the US, China and Europe, representing a 50% increase compared to 2019.

Below is a diagram showing the scope of new annual installations of storage Systems by country in



2020-2015 ²⁵ :

The continued growth of renewable energies and the objectives of reducing greenhouse gas emissions will require extensive investment and continued development of the field of electricity storage. In this regard, the latest estimates refer to the need to install storage Systems in the aggregate scope of 358 GW/1028 GWh with an estimated investment of approximately \$262 billion by 2030 ²⁶ .

2.2.7 Potential Impact of the Covid-19 Pandemic

During the month of December 2019, the "corona" virus broke out initially in the city of Wuhan in China, and later spread globally. The outbreak of the Covid-19 pandemic has caused uncertainty in the world economy and economic damage following the shutdown of many businesses, a slowdown in production, a slowdown in the procedures for obtaining approvals from the various authorities, delays and an increase in costs of shipments and international transportation. At this stage, the Company is unable to predict the duration and intensity of the crisis and its full future implications for the Company's activities and results.

It should be noted that following the spread of the virus and the restrictions imposed thereafter, the Electricity Authority issued decisions and hearings to extend the deadlines for synchronization and operation of photovoltaic Systems, including the competitive procedures, tariff Systems and defaults in relation to the original deadlines set in the various Regulations. These delays have reduced (and will reduce) the exposure to the quota's loss due to non-compliance with System connection schedules.

²⁵ International Energy Storage- Tracking Report, November 2021.

²⁶ Bloomberg, NEF 2021 Global Energy Storage Outlook.

As of the date of the report, the spread of Covid-19, the restrictions and the economic crisis created as a result, have had an immaterial impact on the Group's activities. Thus, as of the date of the report, the energy sector has been designated an essential industry. In addition, planning, construction, operation and maintenance of the various Projects continue, as usual, electricity production in existing Systems continues as usual, and the Company is not aware of any intention to change the agreements for the sale of electricity. However, as stated above, during 2021 there was an increase in freight prices and the prices of solar panels in Israel, Europe and the United States, which causes an increase in the costs of setting up the Projects. There was also a delay in the delivery dates of the equipment, which the Company estimates could adversely affect the dates of completion of the various Projects.

Naturally, the manner in which the crisis will develop, its duration and intensity, are unpredictable. Therefore, at this stage, the Company is unable to assess how and to what extent the Group's business activities will be affected, especially in the medium and long term, amid fears that continued severe restrictions on the economy and movement may cause delays in the supply of imported equipment and raw materials, difficulty in securing funding sources, a reduction in the number of employees, a decrease in electricity prices, restrictions on the Company's activity, a delay in the development of the electricity sector, etc.

The Company's assessments as stated in this section hereinbefore are Projected information, as this term is defined in the Securities Law, based on the assessments by the Company's management and its understanding of the factors influencing its business operations, as of the date of the report. These assessments may not materialize, in whole or in part, or materialize differently and substantially than those anticipated, as a result of suboptimal assumptions and analyses, developments that cannot be fully assessed in relation to the crisis, its duration and intensity, or the realization of all or some risk factors listed in Section 4.13 below.

3. Part Three - Description of the Corporation's Business According to fields of activity

3.1 Development and Investment in Israel

3.1.1 General information about the field of activity.

3.1.1.1 General

The Group's activity is based on a business strategy in which the Company enters into agreements, with kibbutzim, industrial companies and real estate-rich business entities (hereinbefore and hereinafter referred to as the "**Partner**"), to establish a jointly designated corporation with the Partner, created for the requirements of the Project, which is (or will be) the owner of power generation Systems and a storage System, as applicable, established in the Partner's territories (hereinafter referred to as the "**Joint Corporation**" and the "**Founders Agreement**" respectively). The Company brings to the Joint Corporation Project the knowledge, expertise, construction capabilities of the Systems, while the Partner provides the Joint Corporation Project with the roofs, water tanks, buildings or land on which the Systems are built.

Additionally, the Company, on occasion, approaches property owners and offers to rent roof spaces owned by them, install Systems on them and then sell the electricity produced by these Systems back to them and/or to relevant electricity distributors. In such cases the Company is the sole owner of the Systems. However, in some cases the property owners have the right to acquire rights in the Project Corporations of the Systems located on their land.

The Joint Project Corporation works to establish solar Systems and storage Systems, as applicable in the Partner's property (hereinafter: "**the premises of activity**"), and held by the Company as an ultimate subsidiary, at a rate that is in the range between 15% and 100% (and in the case of a Joint Project Corporation between 15% and 70%, where the average holding rate as of the reporting date is approximately 39.5% in the ultimate subsidiary²⁷). The remaining holdings in the Project Corporation are held by the Partner (or Partners) who own the roofs, water tanks, building or land on which the System is located.

The only activity of the Project Corporation is developing, securing funding, construction and maintenance of the System (or Systems) of the type and size agreed between the Company and the Partner.

²⁷ Calculated according to the System capacities in the various stages and the holding rates of the Company, directly and through a subsidiary in the Project Corporations and corporations through which the Project Corporations are held (the multiplication method).

The type (or types) of the System as well as the Regulation (or Regulations), by virtue of which the Systems are constructed and operated, are determined by the Company and the Partner, in a way that allow optimal utilization of the roofs, reservoirs, buildings and available land, the Partner's electricity consumption and use of the Regulation (or Regulations) by virtue of which it will be possible to obtain the higher tariff for the electricity produced in the System.

The actual construction of the Projects is usually carried out ²⁸ through the Company, which enters into a construction agreement (EPC) with the Project Corporation in exchange for payment of consideration as described in section 3.2 below.

The Project in Israel is usually financed through senior bank financing (and sometimes through financing from the Partners) at a rate of approximately 80% -90% of the cost of constructing the System, which is provided (as applicable) against the full lien on the Project Corporation's assets (excluding real estate rights). Company guarantees of the Partners in the Project Corporation, (the Company and the Partner), usually in accordance with their share ²⁹, relying, among other things, on the commitment of the Israel Electric Corporation, the historic electricity distributor, the consumer (or consumers) in whose property the System is established, to purchase all or part of the electricity produced in the System, divided into known and predetermined tariffs for a long period, and divided according to the tariff rates applicable to the relevant consumer. The balance of the Project financing (at a rate of approximately 10% -20%) is nominated through equity ³⁰ by the Company and the Partner (usually according to the rate of the Parties' holdings in the joint corporations, and sometimes the Company is required to set the full equity or equity higher than its holdings).

The electricity produced in the Systems is sold to the consumer registered at the premises where the System is set up the electricity distributor at the premises if the System, in accordance with the tariff the Partner (or consumer, in the case of leases) pays (or could pay) to the Israel Electric Corporation or to another private electricity supplier ³¹; and in respect of electricity supplied to the electricity grid, in accordance with the tariff paid by the Israel Electric Corporation by virtue of the various Regulations.

²⁸ In relatively few cases, the construction and operation of the Projects for the joint Project Corporation is carried out by third parties that are not the Company and/or corporations under its control.

²⁹ Part of the financing is secured by the Company's guarantee in the scope derived from a multiple of the Company's holdings in the joint Project Corporations at 1.3 and part of the financing is secured by the Company's guarantee to the full extent of the financing.

³⁰ In relation to most of the Project companies, equity is nominated as a capital note or shareholder loans. As of December 31, 2018, December 31, 2019 and December 31, 2020, the balance of the investment amounted to approximately NIS18,013, 31,361 and 58,405 thousand, respectively. In relation to investments in Projects for which a financial closure has not yet been carried out, see the description in this section below.

³¹ Sometimes with the deduction of a certain discount.

The storage Systems constructed by the Joint Corporation are constructed for three main purposes - the construction of additional solar Systems in fields characterized by network overload (which cannot be constructed without the storage Systems), monetizing the fluctuation in electricity prices during the day (charging the storage Systems during hours when the tariffs are low and discharging electricity when the tariffs are high) and dealing with the expected change in Energy demand management tariffs.³² . In addition, the Company estimates that with the growing use of Systems for the production of electricity from renewable energies, it will be possible to provide stabilization and network backup services³³ through these Systems.

a) [Procedure for Constructing Photovoltaic Systems](#)

The procedure for setting up photovoltaic Systems is subject to provisions, laws, Regulations and ordinances of various types, knowledge of which is essential, in order to obtain the approvals and permits required for their construction, the period of time involved in receiving them and the profitability of the various Projects.

The beginning of the process of constructing a photovoltaic System is in locating roofs, water tanks or land, on which the various Systems can be built, and entering into a suitable agreement, which gives the Project Corporation the right to use of the land, roofs or water tanks on which the Systems are to be constructed.³⁴ . In this context, it should be noted that most of the Systems in commercial operation, construction and pre-construction of the Group's Companies are Systems on roofs and water tanks. The Company's land Systems are mainly in the development stages.

It is then necessary to initiate a licensing procedure - in Systems located on water tanks and roofs - and a planning procedure - for land Systems - in a way that allows the System to be constructed. In general, the licensing procedure required for the installation of photovoltaic Systems on roofs and water tanks - which are the majority of Systems promoted by the Company - is a relatively simple and quick procedure, and for roof Systems it usually does not involve obtaining a building permit³⁵ . On

³² See hearing from meeting 614 dated 30.9.2021, updating demand hours clusters.

³³ Based on utilities and revenue of battery storage Systems in the UK. It should be noted that the Company's estimates regarding future revenues of storage Systems constitute forward-looking statements, as this term is defined in the Securities Law, based on revenues and the purposes of using storage Systems in the United Kingdom. These estimates may not be realized due to various factors beyond the Company's control, and in particular this includes the establishment of different Regulations and the utilization of other solutions.

³⁴ It should be noted that in relation to Systems established on water reservoirs and land, the corporation that owns the System is required to sign a lease agreement with the Israel Land Authority in relation to the reservoir or land on which the System is to be constructed.

³⁵ Construction of a System on roofs of up to 700 kW per building is exempt from obtaining a building permit. Construction of a System on a building with a power of more than 700 kilowatts, or on water reservoirs and on land amounting to 10% to 30% (depending on the location of the land) of land intended for industrial or engineering use is subject to obtaining a building permit from the local planning authority. Construction of Systems with greater power or on land with other designations is subject to change of designation and approval of a dedicated zoning plan for the promoted Facility.

the other hand, the planning procedures for land Systems is a long and complex process, which involves obtaining building permits, and sometimes also approving a plan that includes changing the designation of the land.

Alongside promoting the licensing procedures (for Systems on roofs and water tanks), or the planning procedures (for land Systems), and obtaining a building permit (as required), the Company works to register the System (or Systems), under the relevant Regulations, and maintaining a quota, open a connection file at the IEC, technical coordination with the IEC, and submitting a request for an answer from an electricity distributor regarding the possibility of connecting the System to the electricity grid.

As long as the System promoted by the Company has been registered for a tariff Regulation ³⁶ construction of the System and its integration into the distribution grid must be completed within 360 calendar days from the date of receipt of confirmation from the Electricity Corporation of the obtaining a quota for the System. As long as the System promoted by the Company has been registered for Regulation by virtue of competitive procedures ³⁷, construction of the System and its integration into the distribution grid must be completed by the dates specified in the competitive procedure.

In this context, it is important to clarify that in view of the limitations of the electricity grid, sometimes in a area where several electricity producers operate (including renewable energy Facilities), mainly in the north or south of the country, a limited positive distributor response or a negative distributor response can be received from the IEC, which limits or does not allow the System to be connected to the electricity grid, since the grid in these areas is at full Capacity. Accordingly, the Company estimates that **obtaining approval for an electricity distributor is a significant milestone with regard to the construction of photovoltaic Systems in Israel**, in such a way that non-receipt may cause a significant delay in the procedures for establishing the photovoltaic System until the development of the electricity grid in the area designated for the System ³⁸ is completed. It should also be noted in this context that in view of the Company's existing knowledge regarding the electricity grid and the various Regulations, in many cases, after receiving a limited response, the Company presented the IEC with solutions that enabled the connection of the System promoted by the Group's Companies at

³⁶ For details regarding tariff Regulation, see Section 3.1.1.3.2 below.

³⁷ For details regarding the Regulation of competitive procedures, see Section 3.1.1.2 below.

³⁸ Noting the fact that as described below, the construction work of the Systems is carried out after obtaining all the permits and certificates required for the construction of the System (including obtaining the response from the electricity distributor), the main expenses associated with the construction of the Systems are paid after obtaining the response of the distributor. Accordingly, the amounts that the Company invests for the purpose of promoting the Systems prior to receiving a response from the electricity distributor are immaterial in relation to the cost of constructing the Systems. For details regarding the amounts invested up to 31.12.2020 in relation to Systems under licensing and development, see Section 3.1.1.2.2 below.

a timescale that corresponded to the schedules of the relevant Regulations (such as the use of electricity storage Systems, the use of a smart decentralization System developed by the Company, etc.).

After receiving the required approvals and permits for the construction of the System, the Group's Companies work, in most cases through the Company, for the actual construction of the System.

b) Provisions of the Founders' Agreement ³⁹:

The founding agreements regulate the relationship between the Parties as Partners in a corporation that owns the photovoltaic Systems.

The agreements stipulate that the Parties will establish a joint corporation (usually, as an agricultural cooperative and sometimes as a limited company or limited partnership) for the purpose of initiating, constructing, operating and maintaining the Systems (hereinafter: the "**Joint Venture**"), which will be owned by the Joint Venture Corporation.

In some agreements, the Company holds the full rights in the Joint Venture, with the Partner being granted an option to purchase some of the rights in the Joint Venture (up to 75%) for a fixed period at a predetermined price ⁴⁰. In addition, some of these agreements include an option for a Partner to acquire the full rights of the Company in the joint corporation at a pre-determined price ⁴¹.

Most of the agreements stipulate that the Company will carry out the construction works (EPC) and operation and maintenance (O&M) work of the Systems ⁴². In addition, there is an obligation of the Partner to grant the Joint Project Corporation the right to use or authorize the buildings, water tanks and lands on which the Systems will be built for up to 24 years and 11 months.

Some of the agreements include the Company's commitment to obtain the necessary financing for setting up the System, sometimes also at an interest rate that does not exceed the stipulation in the agreement. In most cases, the agreements stipulate that the investment of funds required (including the provision of equity, collateral, guarantees, etc.) for the purpose of obtaining bank financing and financing the activities of the Joint Project Corporation (hereinafter: "**the required funds**") will be

³⁹ The provisions listed below include the main provisions applicable to most transactions. Naturally, there's a certain difference between the different Projects.

⁴⁰ In most agreements the price is calculated according to the Project's construction costs. However, in some agreements the Partner has the option to acquire rights in the Project according to the cost of establishing the Project, a value determined by an appraiser or a price agreed between the parties, at the Partner's discretion.

⁴¹ The price is calculated according to the cost of establishing the Project, the balance of the contractual flow from the Project, the value determined by an appraiser or the price to be agreed between the parties.

⁴² In a small part of the Founder Agreements, the Company is granted the right of first refusal to carry out the construction and maintenance work in accordance with bids from third parties, and in a small number of agreements it is determined that these works will be carried out by a third party.

provided by the Parties, each according to its share in the Joint Project Corporation, as owner loans (hereinafter: " **owner loans** ") and agreed upon damages in the event that a Party does not provide its share (the right to provide a surplus owner loan and sometimes the right to convert the surplus owner loan into an agreed parity according to the Company). Some agreements stipulate that the Company will provide the required equity and collateral for the Partner's share, and some agreements stipulate that the Company will bear the difference between the actual financing obtained and the financing terms set forth in the agreement (both in relation to the financing rate and the cost of financing).

Dividends are distributed with the consent of the parties from the available income of the Joint Corporation after repayment of the relevant financing payments and repayment of Owner Loans in full. In each distribution of dividends, each Party is entitled to its proportionate share of the distributed profits, according to the proportion of his holdings in the Joint Project Corporation ⁴³ .

In some agreements additional mechanisms have been set in connection with the transfer of the Partners' rights in the Joint Project Corporation, such as the right of first refusal, the right to join, or the forced sale in the event of the sale of holdings to a third party. Also, in most agreements, there is a restriction on the sale, transfer, assignment and encumbrance of the holdings, rights and obligations in the Joint Venture to a third party, without the unanimous consent of the Parties.

Most agreements include additional provisions regarding the management of the Joint Project Corporation ⁴⁴ , decisions that require approval by a special majority ⁴⁵ , signatory rights in the Joint Project Corporation, bookkeeping ⁴⁶ , liability for damages, confidentiality insurance, dispute resolution mechanism and more. Additionally, some of the agreements include provisions regarding the early termination of the Joint Venture's activities in the cases specified in the agreement ⁴⁷ .

For details regarding the authorization agreements, see Section 3.1.10 below. For details regarding the electricity sales agreements, see Section 3.1.5.2 below.

⁴³ As of the date of the report, dividends were received from the Project Corporations in immaterial amounts.

⁴⁴ The Company usually has the right to appoint one member of the Board of Directors, and the Partner has the right to appoint between two and three members, depending on the proportion of the Parties' holdings.

⁴⁵ Most of the decisions of the Joint Project Corporation will be made by a simple majority, except for decisions on certain matters that are subject to unanimous consent, such as: entering into interested party transactions, raising funding from members of the Joint Project Corporation, making investments, obtaining credit, obtaining loans, guarantees and warranties or granting loans, guarantees and warranties, creating a hypothecation, encumbrance or assignment, injecting capital, joining new Partners, changing signatory rights, changing Regulations, selling assets, deciding on profit sharing, liquidation, etc.

⁴⁶ Most often by the Partner against payment of consideration reflecting acceptable market prices.

⁴⁷ Such as: failure to obtain Israel Land Authority approval in the time period set forth in the agreement; failure to obtain approvals enabling the commencement of the Systems construction works in the time period set forth in the agreement; failure to obtain funding to the satisfaction of the parties; cancellation of the Regulation by virtue of which the System will be established or a material change in its provisions; failure to connect the System in the time period set forth in the agreement; appointment of a role holder for the Joint Project Corporation, etc.

3.1.1.2 Regulations in the Photovoltaics Sector

Electricity generation activity through photovoltaic installations is regulated under the Electricity Law, as well as in the Regulations, provisions and decisions of the Electricity Authority. These Regulations determine the installed Capacity in relation to which a quota allocation may be obtained, the procedures for establishing the Systems, how to compete for winning the said quotas, the tariff to which the successful bidders will be entitled, and other conditions that successful bidders must meet in order to obtain a commercial operating certificate or license production and supply ⁴⁸ .

The following is a table detailing the various Regulations under which the Systems owned by the Group's Companies in Israel are operated :



⁴⁸ In accordance with the provisions of the Electricity Sector Law, inter alia, electricity generation with a power not exceeding 16 MW intended for sale to those who do not have an essential service provider license or a consumer in a land division on which the System is installed which is the Holder, owner or lessee for generations in the land division are exempt from obtaining a production license and a supply license. However, Facilities with a Capacity greater than 5 MW (AC) require a business license to be obtained. It should be noted that in accordance with the decision of the Electricity Authority dated 30.4.2020, the storage of electricity by means of a storage Facility with an installed Capacity not exceeding 16 MW is exempt from obtaining a storage license. As of the date of the report, Project Corporations are exempt from obtaining a production or supply license.

	Regulation for the generation of electricity for small Systems ("Tariff Regulation" or "Tariff Arrangement")	Regulation for photovoltaic power generation Systems in roof and reservoir installations ("Competitive procedure for roof installations ⁴⁹ and reservoirs ⁵⁰ⁿ) ⁵¹ (procedure no. 1; and procedure no. 3; "Competitive procedures" or "Tender arrangement")	Regulation for the generation of decentralized electricity from renewable energy using the net meter method ("net meter arrangement") ^{7 352}	Default Regulations ^{7 753}	Overflow Quota ⁵⁴
Location of Facilities	roofs	Roofs and Water Tanks	Ground, Roofs and Water Tanks	Ground, Roofs and Water Tanks	Ground, Roofs and Water Tanks
Register option for series	Possible	---	---	---	---
Tariff range for the reporting date (agorot/kWh)	<p>Systems recorded from 2009 to 2018 - between 201 ag and 37 ag linked to the index.</p> <p>Starting in 2018: Systems up to 15 kilowatts- 48 Ag; Systems between 15 and 200 kilowatts recorded by 31.12.2020 and Systems between 15 and 100 kilowatts recorded by 31.12.2022 - 45 Ag.</p> <p>Starting from 1.3.2021 distribution of the Facility rate according to stairs: first 15 kW – 48 Ag; remaining power between 16-100 kW 41 AG; remaining power between 101-300 kW – 24.5 AG; remaining power between 301-630 kW –</p>	<p>18.18-23.33. Ag</p> <p>100% linkage to the Consumer Price Index</p>	Based on the tariffs.	16 Ag linked to the Index	<p>17.62 Ag for land-based Facilities</p> <p>22.61 Ag for roofing Facilities and reservoirs</p>

⁴⁹ " **building** " - as the term "building" is defined in the Planning and Building Law, including fuel storage farms and an open area parking lot duly constructed; "roof" shall mean - top cover or floating cover, side cover or wall.

⁵⁰ " **Reservoir** " means - a reservoir, fish pond or a reservoir of duly established treated waste water reservoir.

⁵¹ See the decision of the Electricity Authority from the meeting No. 538 dated 22.3.2018, Resolution No. 10 (1248) - Principles of a competitive procedure for setting a tariff for electricity generation in photovoltaic technology for roofing Facilities.

⁵² See the decision of the Electricity Authority from the meeting no. 389 dated 25.12.2012, decision no. 10 - arrangement for the distributed generation of electricity with renewable energy - using the "net meter" method, as amended from time to time.

⁵³ See the decision of the Electricity Authority from meeting no. 538 dated 22.3.2018, decision no. 9 (1247) - electricity generation in photovoltaic technology instead of consumerism - default.

⁵⁴ See Resolution No. 4 (57204) – Determination of tariff and conditions of entitlement to tariff for photovoltaic installations on roofs and water reservoirs that are not included in the winning quota in competitive proceedings.

	Regulation for the generation of electricity for small Systems ("Tariff Regulation" or "Tariff Arrangement")	Regulation for photovoltaic power generation Systems in roof and reservoir installations ("Competitive procedure for roof installations⁴⁹ and reservoirs⁵⁰ⁿ 51 (procedure no. 1; and procedure no. 3; "Competitive procedures" or "Tender arrangement")	Regulation for the generation of decentralized electricity from renewable energy using the net meter method ("net meter arrangement")^{7 352}	Default Regulations^{7 753}	Overflow Quota⁵⁴
	18.91 Ag. It is clarified that from 2018, the tariffs are not linked to any index.				

	Regulation for the generation of electricity for small Systems ("Tariff Regulation" or "Tariff Arrangement")	Regulation for photovoltaic power generation Systems in roof Facilities and reservoirs ("Competitive procedure for roof Facilities and reservoirs") (procedure no. 1; and procedure no. 3; "Competitive procedures" or "Tender arrangement")	Regulation for the generation of decentralized electricity from renewable energy using the net meter method ("net meter arrangement")^{7 3}	Default Regulations^{7 7}	Overflow Quota
Calculation Method	The bidders can decide, up to the date of the contract with the IEC, whether the calculation method is for the electricity produced in the System (which is sold in full to the IEC) or for the electricity sold to the IEC, when the rest of the electricity is used ^{8 5} .	The bidders can decide, up to the date of the contract with the IEC, whether the calculation method is for the electricity produced by the System (which is sold in full to the IEC) or for the electricity sold to the IEC, when the rest of the electricity is used for self ⁵⁵ .	At the end of the accounting period, a settlement of accounts is made between the volume of electricity consumption and the volume of electricity production, on the basis of the same tariff. In the event of a positive difference, the consumer receives a positive credit for a period of two years, and in the event of a negative difference, the consumer pays the difference between the electricity consumption and the volume of	for the electricity sold to the IEC, when the rest of the electricity is for own use.	The bidders can decide, up to the date of the contract with the IEC, whether the calculation method is for the electricity produced in the System (which is sold in full to the IEC) or for the electricity sold to the IEC, when the rest of the electricity is used for own use.

⁵⁵ It should be noted that in respect of the electricity consumed for own use, the bidder is required to pay System costs for the electrical services provided by it in its Capacity as the System administrator.

	Regulation for the generation of electricity for small Systems ("Tariff Regulation" or "Tariff Arrangement")	Regulation for photovoltaic power generation Systems in roof Facilities and reservoirs ("Competitive procedure for roof Facilities and reservoirs") (procedure no. 1; and procedure no. 3; "Competitive procedures" or "Tender arrangement")	Regulation for the generation of decentralized electricity from renewable energy using the net meter method ("net meter arrangement") ^{7 3}	Default Regulations ^{7 7}	Overflow Quota
			production. The consumer may choose to transfer the tariff credit to the IEC, against a payment of a fixed amount. In addition, the manufacturer is required to pay backup and balancing costs for the electricity generated and consumed by it.		
Proposal Guarantee Amount	---	NIS50 per offered kilowatt.	---	---	---
Construction Guarantee Amount	---	NIS150 per offered kilowatt.	---	---	NIS300 per kilowatt for Facilities on land and 150 NIS per kilowatt for Facilities on roofs
		A delay in a commercial operation entitles the Electricity Authority to forfeiture of the construction guarantee proportionately until the complete forfeiture. There is a possibility to extend the construction period up to three times in 5 months against the provision of an additional guarantee of NIS150 per kilowatt.			See note above.
The Tariff Period	25 years from the date of connection of the System to the grid.	25 years from the date of commercial operation.	For Systems allocated until January 2018 - no time limit. For Systems that received an allocation as of January 2018 - a period of 25 years from the date of connection of the System to the	23 years from the date of connection of the System to the electricity grid	Land-based Facilities - 23 years from the date of commercial operation. Facilities on roofs – 25 years from the date of commercial operation

	Regulation for the generation of electricity for small Systems ("Tariff Regulation" or "Tariff Arrangement")	Regulation for photovoltaic power generation Systems in roof Facilities and reservoirs ("Competitive procedure for roof Facilities and reservoirs") (procedure no. 1; and procedure no. 3; "Competitive procedures" or "Tender arrangement")	Regulation for the generation of decentralized electricity from renewable energy using the net meter method ("net meter arrangement") ^{7 3}	Default Regulations ^{7 7}	Overflow Quota
			network		

	Regulation for the generation of electricity for small Systems ("Tariff Regulation" or "Tariff Arrangement")	Regulation for photovoltaic power generation Systems in roof Facilities and reservoirs ("Competitive procedure for roof Facilities and reservoirs") (procedure no. 1; and procedure no. 3; "Competitive procedures" or "Tender arrangement")	Regulation for the generation of decentralized electricity from renewable energy using the net meter method ("net meter arrangement") ^{7 3}	Default Regulations ^{7 7}	Overflow Quota
Means of Determining the Successful Tariff	Fixed price depending on the time of registration to the Regulation and the size of the System	Determined by the 'uniform clearing price' method, according to which all bidders who successfully past the competitive procedure are paid a uniform rate in the amount of the first bid that did not win the tender.	Based on Energy Demand Management tariffs	Fixed Price in Regulation	Price set in Regulation
Commitment of Bidders in Relation to Systems to be Established	Applications submitted include Systems at specific sites listed in the application.	The bidders are not obligated to list the Projects that are the subject of their bid, but they are responsible for setting up Systems with the total power they have secured in accordance with the deadlines set in the competitive procedure.	Applications submitted include Systems at specific sites listed in the application.		It is not necessary to list the Projects that are the subject of the request, but it is the responsibility of the submitter to establish Systems with the total Capacity that is the subject of the request.
Method of sale of electricity by the Company	Regarding electricity sold to customers or to the electrical distributor at the System's premises ("consumer") - the consumer pays the Project Corporation the payment	The customer in whose property the System was established and the System is registered in his name pays the Project Corporation the payment for the electricity produced	Regarding electricity sold to customers or parts of the System ("the consumer") - the consumer pays the Project Corporation the payment for the electricity produced in the System in accordance with the tariff set forth in the Regulation and at the same time receives payment at the same rate from the IEC. Regarding Systems that sell electricity to the IEC - payment is		

	Regulation for the generation of electricity for small Systems ("Tariff Regulation" or "Tariff Arrangement")	Regulation for photovoltaic power generation Systems in roof Facilities and reservoirs ("Competitive procedure for roof Facilities and reservoirs") (procedure no. 1; and procedure no. 3; "Competitive procedures" or "Tender arrangement")	Regulation for the generation of decentralized electricity from renewable energy using the net meter method ("net meter arrangement") ^{7 3}	Default Regulations ^{7 7}	Overflow Quota
	for the electricity produced in the System in accordance with the tariff set forth in the Regulation and at the same time receives payment at the same rate from IEC. Regarding Systems that sell electricity to the IEC – payment is received in accordance with the Regulation.	in the System in accordance with the Energy Demand Management tariff (sometimes minus a certain discount) and at the same time a settlement is made between the consumer and the IEC regarding the tariff credit of electricity generated in the System and not consumed on the consumer's premises.	received in accordance with the Regulation.		

3.1.1.2.1 Dedicated Tenders

In addition to the Regulations listed above, dedicated tenders are periodically published for the construction of photovoltaic Systems for electricity generation at the initiative of the Israel Land Authority or the Accountant General. The terms of the tenders differ from each other. In some tenders, the tender is in relation to the price of the land on which the Facilities will be installed, while ensuring a fixed tariff for the successful bidders, while in other tenders the land is used by the successful bidders for no consideration, when the tender in this case is on the proposed tariff.

3.1.1.2.2 Systems Held by the Group in the Field of Activity

For details regarding the Systems owned by the Group's Companies, see Section 1.4 of the Board of Directors' Report.

3.1.1.3 **Developments in the field of activity, and changes in the scale of activity in the field, and its profitability**

Israel's electricity sector is in the process of changing from a centralized sector of an exclusive and centralized electricity manufacturer controlled by the state (IEC), to a competitive economy, which includes a variety of manufacturers and a variety of sales mechanisms.

Over the past few years, the Israeli authorities have been working intensively to increase the amount of electricity produced from renewable energy, above all from photovoltaics. By the easing of Regulations, increasing quotas for the construction of renewable energy-based Facilities, opening up the electricity sales market to competition, and so on.

Among other things, as a result, over the past few years there has been a significant increase in the portfolio of Projects in commercial operation owned by the Group's Companies, and in the portfolio of Projects in development, licensing, construction or pre-construction. At the same time, thanks to the increase in the portfolio of solar Projects, during the last year the Company has worked to initiate battery power storage Projects in the territories of its Partners. Accordingly, recent years have been characterized by a significant increase in the Company's operating cycles.

As for profitability rates in the sector, following the competition that characterizes the market in Israel, the gradual reduction of incentives for entrepreneurs, lower electricity tariffs in Israel, a change in Energy demand management tariffs in Israel, an increase in the costs of establishing Projects, as well as an increase in shipping costs, the Company estimates that there will be an erosion in the profitability of solar Projects in Israel.

As part of the Company's activities for dealing with the erosion in the profitability of solar Projects, the Company focuses on initiating Projects by virtue of tariff Regulation or initiating self-consumption Projects - which are characterized by tariffs higher than the tariffs established as part of the competitive procedures. In addition, the fact that the Company is the construction Contractor for most of these Projects, significantly reduces the erosion resulting from an increase in the prices of equipment and transport. In addition, as part of the Company's response to the change in Energy demand management tariffs, the Company is working to initiate electricity storage Projects using batteries, which will be charged by electricity from the grid, or the electricity produced in the solar Systems when electricity tariffs are low, and release it to the grid when electricity tariffs are higher. In the Company's opinion, the use of these Systems will reduce the expected erosion in the yield of the Systems based on self-consumption due to the change in the Energy demand management tariffs, and changing peak hours to hours when solar Systems are inactive.

In addition, the Company is preparing to sell electricity to end users and in March 2022 received a license to supply electricity. With the development of the market and its transformation into a sophisticated market, the Company intends to examine the possibility of selling electricity produced in the Systems owned by the Group's Companies to private electricity consumers.

It should be emphasized that the Company's estimates of the profitability of the field of activity constitute forward-looking statements, as this term is defined in the Securities Law, which depends on factors beyond the Company's control, and in particular that there will be no material change in the

rates of decrease in electricity tariffs compared to the rate of decrease in the costs of setting up the Systems.

3.1.1.4 Technological changes that may materially impact the field of activity

Power output from Facilities set up in photovoltaic technology depends directly on the conditions of solar radiation. Therefore, complementary technologies are required for these Systems, so that they can supply and back up the electrical grid at times when natural resources are not available or do not provide the amount of electricity required for the grid (e.g., storage Projects and peaking power plants are needed⁵⁶, which will back up the grid at night and during periods when solar radiation has decreased).

The use of renewable energy (solar Systems, wind Systems, hydro Systems, etc.) is characterized by volatility in the power supply, resulting from changes and volatility in weather conditions. So, for example, solar Systems only generate electricity during the daytime, when there is sunlight. In addition, cloudiness during the day causes a temporary reduction in System output. Also, the Capacity of wind power generation farms depends, among other things, on the wind power at any given moment. Thus, changes in wind energy during the day cause volatility in the power supply - this is in contrast to power generation Systems from non-renewable energies that are characterized by stability and planning capability. Accordingly, the growing scope of the use of renewable energies requires the use of supplementary Systems - flexible energy supply Facilities (Flexible Generation) - that will provide security in the electricity supply alongside grid stabilization capabilities for the electricity grid.

One of the flexible energy supply Facilities is a battery electricity storage Project. To the best of the Company's knowledge, the battery Projects allow backup to power supply during hours when renewable energy Systems are not operating (or are operating partially), thus ensuring stable supply of electricity in accordance with market requirements, as well as allowing stabilization of the power supply, at times when there is a temporary decrease in power supply (as an example due to temporary cloudiness that causes a decrease in solar Systems output, a temporary decrease in wind speed that causes a temporary decrease in wind farm output, disturbances in conventional electricity generation, etc.). In addition, battery Projects enable the provision of System services for the transmission System - including frequency stabilization and response to additional events of impairment of the power supply or its stability. During the past few years, there has been a significant decrease in the costs of electricity storage Systems in a way that increases the feasibility of using these Systems. Accordingly, during the past year the Company has engaged in the study of the electricity storage sector, the formulation of the Regulation required for the construction of storage Systems and the entering into

⁵⁶ Peaking power plants are power plants that are usually operated for a short number of hours a day, when there is a mismatch between the supply and demand of electricity.

of framework agreements with Tesla Motors Netherlands B.V. (" **Tesla** ") for the purchase of electricity storage Systems with a total power of approximately 300 megawatts per hour, during the period between the end of 2021 and March 2024, for a total of approximately US \$84 million (of which a 5% advance is determined to be paid at the time of the engagements), and at the date of the report, the Company is working to promote the construction of additional storage Systems. Alongside these actions, the Company is engaged in initiating storage Projects in various regions around the world, including an agreement to purchase a Cellarhead Project in the UK, which is a battery storage Project with an estimated Capacity of approximately 700 megawatts per hour.

It should be emphasized that the Company's assessments of the use of storage technology include forward-looking statements, as this term is defined in the Securities Law, which depends on factors beyond the Company's control, and in particular, changes in the cost of purchasing these Systems and their contribution to the profitability of the Projects, as well as approvals required for their use.

In addition, in recent years, many resources have been invested by receptor manufacturers in an attempt to optimize and develop solar receptor technology to increase photovoltaic cell utilization and enable more efficient power generation over a similar (or smaller) area. These developments enable the production of more electricity in a given area and also enable increasing Capacity of existing Systems by replacing the existing receptors with smaller, cheaper, and larger power generators. According to technology forecasts (Bloomberg) the average utilization of photovoltaic cells is expected to rise from a level of 16.8% in 2016, to 21% in 2025 and to 24.4% by 2040 ⁵⁷ .

In recent years, there have also been changes in converter technologies, which have significantly reduced the costs of converting solar energy produced by the receptors into electricity that is streamed into the grid, and have significantly increased the efficiency of the converters.

In addition, to the best of the Company's knowledge, many companies invest in developing products for automatic cleaning of receptors and Systems. Integrating these Systems may reduce Facility maintenance costs and increase their productivity.

In the Company's assessment, the completion of the development of the technological solutions listed above, as well as other technological breakthroughs that will result in the increase in production per hour and per sqm, in particular the use of storage technologies, will accelerate the construction of renewable energy power generation Systems, and accordingly may contribute significantly to the development and expansion of the Company's field of activity.

⁵⁷ See Ministry of Energy, Energy Sector in Israel 2019. The Company has not applied to obtain approval for the inclusion of this information in the report.

3.1.1.5 **Critical success factors in the field of activity and the changes occurring in them**

In the Company's view, the critical success factors in the field of activity are:

- 3.1.1.5.1 The ability to locate and access to soil reserves, roofs, or water reservoirs, with financial viability and engineering and environmental feasibility, permitting the construction of photovoltaic Systems. The Company has over a hundred partnerships with kibbutzim and real estate companies, owners of suitable sites for the construction of solar Systems and other storage Systems.
- 3.1.1.5.2 Expertise, permitting the development, planning and construction of Projects, and assisting with the appropriate and economic planning of Projects, enabling the owning party to be competitive on one hand, and on the other hand to operate in a way that ensures the Projects will be profitable.
- 3.1.1.5.3 Knowledge and creativity that enable the Company to present solutions for connecting photovoltaic Systems to the electricity network, even in areas where the electricity network is not sufficiently developed.
- 3.1.1.5.4 Construction (EPC) and maintenance (O&M) capability of independent photovoltaic Systems, improves the profitability of the Projects, keeps its construction and maintenance profits in the hands of the Group's Companies, and contributes to shortening the timescales for construction of the Projects, optimal planning, and use of quality components, appropriate to the attributes of the Projects.
- 3.1.1.5.5 Financial stability and the ability to raise the required financing, for the purpose of establishing the Systems low-capital costs.
- 3.1.1.5.6 The publication of quotas and competitive procedures by the regulator and the relevant authorities.
- 3.1.1.5.7 Ability to promote regulatory procedures, coordination between the various authorities and reduction of bureaucratic barriers required for the construction of the System and its connection to the electricity grid.
- 3.1.1.5.8 Professionalism and efficiency in the field of development, which enable the timely completion of the Projects and the maximum output of electricity in accordance with the conditions of the area, the technical data, and the other constraints in each Project.
- 3.1.1.5.9 Ability to meet set timetables in accordance with the various Regulations.
- 3.1.1.5.10 Ability to characterize and manage high-quality and efficient operation and maintenance in order to maintain efficient performance of production during the operational period.

3.1.1.6 **The main entry and exit barriers of the field of activity**

3.1.1.6.1 **Entry Barriers**

- Locating land, roofs and reservoirs suitable for the construction of Systems, paying attention to the totality of constraints and regulatory, planning and engineering conditions.
- Access to sources of financing and the existence of capital required for the financing of the enterprise, the provision of guarantees and the construction of the Project.
- Supportive Regulations enabling the construction of Projects and the sale of electricity produced or stored in them.
- Familiarity and expertise in the various regulatory provisions that apply to the field of activity and the ability to meet them, on schedules that enable the construction of a competitive business plan for completing all licensing (or planning) procedures and regulatory processes required to establish a Project quickly and efficiently, as well as compete and win in competitive procedures.
- The availability of the power grid located near the location of the System.
- Positive reputation among owners of land, roofs, and reservoirs, and financiers for cooperation with the Company in development, construction and maintenance of photovoltaic Projects.

3.1.1.6.2 **Exit barriers**

- The Company's ability to free itself from its obligations of Joint Venture agreements with Partners in operations.
- Regarding the sale of rights the System - the purchaser's compliance with the conditions of the Projects under the terms set forth in the financing agreements and Joint Ventures in the matter, and for Systems that will operate according to a license - the terms of the license as well.
- In relation to Projects established in competitive proceedings - forfeiture of guarantees due to the failure to complete the construction of the System and the loss of the quota.

3.1.1.7 **Alternatives to the products in the field of activity and the changes occurring in them**

The main alternative sources to electricity generation from photovoltaic Facilities are Systems for generating electricity from other renewable energies (thermo-solar Systems, wind turbines, bio-gas Facilities, etc.); power generation Systems based on fossil fuels (such as natural gas, coal, mazut and diesel fuel); nuclear energy-based Systems.

At the time of the report, the key benefits of producing electricity through renewable energy in general, and photovoltaic energy in particular, are the lack of greenhouse gas emissions, safety, and ease of operation of renewable energy Facilities (whose cost and complexity is also materially lower than the

cost and complexity of setting up conventional power plants). On the other hand, electricity can only be generated through photovoltaic Systems during the day (although there are solutions for energy storage which, as noted above, the Company is currently working to establish them).

3.1.2 Products and services

As noted above, as part of the field of activity, the Group is engaged in initiating, licensing, managing financing procedures, developing, and maintaining solar Systems and power storage Systems, and selling the electricity produced in these Systems to IEC, historical electricity distributors in whose property the Systems are constructed, to Partners in the Project Corporations (the corporation that owns the System) or to the owners of the buildings on which the Systems are built, in accordance with the various Regulations. For details, see Section 1.4 of the Board's report.

Noting the types and scope of Projects currently under construction and development, the Company estimates, that in the coming years there will be a significant increase in the volume of revenues of the Group's Companies from the sale of electricity.

The Company's estimates of the increase in the Group's revenues constitute forward-looking statements, as this term is defined in the Securities Law, whose realization is uncertain and is not under the sole control of the Group's Companies. The aforementioned estimates are based on the Company's plans in relation to the dates of construction of the various Systems, and may not be realized owing to factors beyond the Company's control, such as: delays in obtaining the necessary permits for the construction of the Systems, delays in construction, changes in the provisions of the law and/or Regulations, faults in the System, changes in the weather, negative electricity distributor responses, continuation of the Covid-19 crisis and the restrictions imposed (and to be imposed) following it, the existence of one or more of the risk factors listed in section 4.13 below, etc.

3.1.3 Segmentation of revenues from products and services

The following is a segmentation of the Company's revenues in the field of activity, for 2019, 2020 and 2021 ⁽¹⁾ :

	2021	% of Revenue from Field of Activity	2020	% of Revenue from Field of Activity	2019	% of Revenue from Field of Activity
Systems operating by virtue of a tariff arrangement	16,615	47%	9,193	46%	3,330	34%
Systems operating by virtue of net meter arrangement	11,713	33%	10,668	54%	6,456	66%
Systems operating by virtue of competitive procedures	7,066	20%	---	---	---	---
Total Revenue	35,394	100%	19,861	100%	9,786	100%

⁽¹⁾ The data in the table include the Company's share in the revenues of the Project Corporations received from the Systems held in each period as stated (a function of the revenue and the holding rate). With respect to the Systems whose operation began during the relevant period of activity and Systems purchased by the Group - the table includes only actual results, starting from the various dates of operation or purchase until the end of the relevant calendar period.

3.1.4 New Products

As stated above, over the past year, the Company has begun the development of electricity storage Systems. For details regarding the balances of use of storage Systems, see section 3.1.1.4 above.

In addition, over the past few months the Company has been exploring the possibility of entering the electric vehicle charging stations sector and for this purpose has recruited a manager with extensive experience in charging station sector. In accordance with the Company's plans, it intends to offer its Partners the option of installing charging stations for vehicles in their premises, among other things, with the purpose that charging stations will make use of the electricity produced in the Systems.

In addition, following the decision of the Israel Electricity Authority ⁵⁸ regarding the opening of the electricity supply segment for distribution, making the electricity market in Israel more competitive and efficiently distributed, on March 3, 2022, the Company obtained a power supply license. Accordingly, the Company intends to promote its activities in the field of electricity supply, so subject to a resolution being made and the establishment of a Regulation on the subject, it can engage directly with business, domestic and other consumers in order to offer them packages based on electricity produced from renewable energies, which will allow consumers to take an active part in the transition from polluting fuels to renewable energies.

⁵⁸ See Resolution No. 58604 – Principles for opening the supply segment in the electricity sector, for new suppliers and supplies to domestic consumers, in a gradual manner, Resolution No. 60105 – Establishing a Regulation for suppliers who do not possess means of production and amending the standards for existing suppliers, as well as hearing from the 620th meeting of the Electricity Authority – Increasing the supply quota for suppliers who do not possess means of production.

The information specified in this section, including the Authority's plans, the implementation of the Regulations, the Company's engagement with consumers, and the Company's assessments of the impact on its operations is a "forward-looking statement, as this term is defined in the Securities Law, 5728-1968, based on the information, forecasts and data held by the Company at the time of this report and on the Company's assessments and current plans, including relying on research and studies made and the Authority's publications. These assessments and programs may not be implemented, or may be implemented in part, due to various variables that are not under the sole control of the Company, including prevention or delays in obtaining regulatory approvals, planning requirements, operational problems in the IEC infrastructure, changes in the economy in general and in the electricity sector in particular, continued spread of the coronavirus, etc. Accordingly, such information may not materialize and/or materialize differently from that described above.

3.1.5 Customers

As of the date of the report, the customers of the Group's Companies are, mainly, the consumers (Partners in the Project Corporations or the owners of the properties on whose premises the photovoltaic Systems are established), electricity distributors who purchase the electricity produced in the Systems located in their premises by the Project Corporations and IEC.

For electricity produced in the Systems of the Project Corporations and consumed by these customers, the tariff paid for it is the same as the rate the customer would pay to IEC or a private electricity producer, as applicable, sometimes with the deduction of a certain discount.

Regarding electricity that is transmitted to the electricity grid - the Project Corporation is paid the feed-in rate for the network according to the relevant Regulation (by IEC or the historical electricity distributor in whose area the Project is located in).

At the time of the report, there is no electricity consumer whose revenue accounted for 10% or more of the Group's Companies' revenue.

3.1.5.1 [Mode of engagement with private consumers and electricity distributors](#)⁵⁹

The Project Corporations tend to engage in agreements for selling electricity with those who consume electricity from the System or the electricity distributors on whose property the System is located. These agreements include the rates to be paid to the Group's Companies, payment times, etc.

Regarding Systems established by virtue of the 'Net Meter' Regulation or another Regulation based on consumption for own use, the consumer undertakes to pay the Project Corporation a monthly payment

⁵⁹ The provisions listed below include the main provisions applicable in most agreements. Naturally, there is a certain difference between the different agreements.

in accordance with the electricity consumption from the Systems set up on his property, according to meters installed in his territory and to the Energy demand management tariffs that were actually paid by the consumer to IEC or to a private electricity producer, sometimes with the deduction of a certain discount, and sometimes in accordance with the lowest alternative tariff in the peak hour clusters at which the consumer could purchase the electricity from IEC and/or any other party.

For Systems established by virtue of tariff Regulations, payment is paid to the Project Corporation in accordance with the feed-in rate of the relevant Regulation Systems

Some of the agreements state that the agreement is valid for 24 years from the date of commercial operation and that it will take effect from the date of successful compliance with Facility inspections as required by the distributor's standards and integration of Facilities to the network. In addition, some of the agreements include grounds for the termination of the agreement (e.g. lawful prevention, violation of the basic provisions of the agreement, the provisions set forth in the law to stop or cut off the supply of electricity, network disruptions caused by the Systems, denial of free access to the joint corporate equipment by the consumer, etc.) and warranty, insurance and indemnity clauses.

In addition, part of the electricity produced by the Group's Companies is sold directly to the IEC, which, in accordance with the terms of the relevant Regulations, engages with the Project's corporations in long-term agreements (between 20 and 25 years, depending on the terms of the relevant Regulation). The contracting with IEC is by virtue of a generic agreement relevant to that Regulation, in accordance with the tariffs set by the Electricity Authority under the relevant Regulation, and regarding Projects by virtue of a Regulation of competitive procedures, in accordance with the tariff set or to be determined in the relevant competitive procedure (for details regarding the relevant tariffs, see section 3.1.1.3.2 above).

3.1.5.2 Method of contracting with IEC

The engagement with IEC in the agreement to sell electricity is regulated by standards for the electricity economy and is determined by the Electricity Authority and the relevant Regulations published by the Electricity Authority by virtue of the standards. The engagement is made by virtue of an agreement known as the Power Purchase Agreement. This is a uniform contract, which applies to all electricity producers according to the different types of Regulations, and is subject to compliance with the conditions and milestones set forth in the agreement, IEC will purchase the electricity produced by the electricity producer. The agreement requires IEC to purchase the total energy produced (or the total energy agreed upon to be sold to IEC), during the period defined in the Regulation and at the tariff set in a competitive proceeding, or when receiving tariff approval from the Electricity Authority, as applicable. On the other hand, the producer is required to pay IEC a fixed or variable payment depending on the production of electricity for backup costs, balancing, use of the

electrical grid, operational energy losses, power consumption, meter reading, etc. IEC is entitled to suspend the purchase of electricity for a certain period of time on conditions set out in the agreement, and may cancel the agreement in the event of prevention by law of the purchase of electricity.

The agreement includes, a variety of provisions regarding the compliance of the System with technical requirements, connection to the electrical grid, as well as instructions regarding the operation, maintenance and repair of the Facility by the producer at any time during the term of the agreement.

In the purchase agreement and in tariff Regulations and competitive procedures, the producer undertakes to undertake all insurances required in the electricity sector Regulations (terms and conditions for granting licensees and licensee obligations), 5747-1997, mainly liability insurance to cover licensee liability under any law, employer liability insurance to cover licensee liability for its employees, and insurance for the licensee's assets, property, equipment and stock used in the operation.



3.1.6 Marketing and Distribution

The group's marketing activity mainly includes business development and focuses on engaging in agreements with Partners, owners of land, roofs or vacant reservoirs, for the construction of photovoltaic Systems, especially as part of the Joint Project Corporations, and the expansion of Projects within their framework by leveraging relationships with Partners. The marketing activity is carried out by employees of the Group's Companies and includes meetings with potential Partners, meetings with existing Partners in order to try to establish additional collaborations, advertising on social networks, etc.

In the Company's assessment, it has no dependency on any of its marketing pipelines, and no material cost is expected as a result of needing to replace any of them.

3.1.7 Competition

3.1.7.1 The Company estimates that the field of activity is a very competitive field, characterized by a multiplicity of competitors, mainly due to the fact that the players in the market are dealing with vacant land and roofs, availability in the electricity network and quotas for the construction of photovoltaic Systems (as part of competitive procedures or by virtue of tariff Regulation). Accordingly, in the Company's assessment, the bulk of the competition in the market is about the supply of land. Accordingly, in the Company's assessment, the bulk of the competition in the market is about the supply of land.

In addition, as failure to meet the deadlines for commercial operation may result in the forfeiture of the construction guarantees and ultimately forfeiture of winnings in the competitive procedure, the competition is also reflected in the ability to meet all the conditions required to comply with commercial operation, including obtaining connection approval, winning the draw for network testing by the IEC, and opening connection files, obtaining building permits and other statutory approvals, etc.

To the best of the Company's knowledge, at the time of the report, dozens of competitors operate in Israel in the photovoltaic field. The most prominent of these bodies are EDF-Renewables Israel, Shikun & Binui Renewable Energy Ltd., Enlight Renewable Energy Ltd., Energix Renewable Energies Ltd., Solair Israel Ltd., Terralite Ltd., Dorel Renewable Energy Group Ltd., Meshek Energy - Renewable Energy Ltd., Helios Fund, and Solgreen Ltd. .

3.1.7.2 Noting the amount of electricity produced in Israel in photovoltaic installations in general, and the amount of electricity produced by the Group's Companies, in the Company's assessment as of the date of the report, the Group's Companies' share in the field of activity is not substantive.

In the Company's assessment, the Company's good and long-standing relationships with Kibbutzim, industrial enterprises and real estate-rich companies, which hold land stock, roofs and reservoirs and

are among significant electricity consumers, its experience in initiating Projects, constructing and maintaining photovoltaic Projects that enable it to offer its Partners an overall solution in the concept of a 'one stop shop', and its familiarity with the various legal and regulatory provisions, assist with the Company's handling of the competition.

3.1.7.3 In regards the negative factors that may harm the competitive position of the Company - the Company estimates that the Company's activity in the sector is subject to significant Regulation (obtaining approvals from planning institutions, the existence of Regulations and quotas, etc.), and the ability to connect to the electricity network (for which other competitors are competing), may impair the Company's ability to execute Projects promoted by it - both due to planning restrictions, due to the exhaustion of Regulations and quotas by the other companies in the market, and mainly due to the inability to connect the Projects to the electricity network.



3.1.8 Seasonality

Naturally, the ability of photovoltaic Systems to generate electricity depends heavily on the level of solar radiation and the temperature, wind and atmospheric pressure conditions in which the solar receptors are located. As a result of changes in these factors throughout the year, there is some variance in System output between the months of the year. Thus, in Israel, the winter months are characterized by lower yield relative to the rest of the year, when, as a rule, from May to September, Systems output is higher.

The following is a breakdown of System outputs by quarters:

	Q1	Q2	Q3	Q4
2019	25%	26%	31%	18%
2020	26%	27%	29%	18%
2021	25%	28%	30%	17%

* Systems outputs were calculated with respect to Systems that operated commercially for a full year.

In addition to the variance in Systems outputs, it should be noted that in the third quarter of each year, revenues are higher than the rest of the year also due to the fact that the electricity tariff (Energy demand management) is higher during these months, which affects the total revenue received by the Company. However, according to the hearing regarding the change in the Energy demand management tariffs, the Energy demand management tariffs are expected to decrease in the third quarter.

3.1.9 Production Capacity

For the Company's estimates regarding the Company's production Capacity and Project under construction, pre-construction and development, see section 1.4 of the Board of Directors' report.

3.1.10 Land

As noted above, the Systems owned by the Group's Companies are located on roofs and reservoirs which in most cases are owned by Partners of the Company in the Project Corporations, with the Project Corporation being given permission to use them. However, some of the agreements are about roofs owned by private individuals, municipalities and local authorities, who lease the roofs to the Project Corporations.

The main provisions of the authorization agreements ⁶⁰ are described below:

The authorization agreements are between the Project Corporation (and for Systems held in full by the Company – sometimes between the Company) and the owner of the rights to the property in which the Systems will be established (hereinafter in this section: " **the Holder** ").

For the most part, the period of use begins at the time of delivery of the leased holding and ends after 24 years and 11 months from the date of delivery of the leased holding, the connection to the electrical grid, the signing of the lease agreement, the beginning of operations, the notification of the winning of the tender by virtue of which the Systems were established, the receipt of a production license, the signing of an agreement with IEC, the beginning of electricity production or at the time of the termination of the agreement, as applicable.

In addition, some agreements grant the right to the property owner (especially local authorities) to order the dismantling and reassembly of the System in for the purpose of construction works on the roof.

For the use of the leased holding, the Project Corporation undertakes to pay the Holder a fee that varies between leases - between 1 NIS per installed kilowatt a month and up to NIS193 per installed kilowatt a year. Usage fees range from a fixed annual fee to a fixed fee per 1 installed kilowatt , a fixed fee per sqm, a fixed rate of Project Corporation revenue, at times according to which is the highest or at the Lessor's discretion and at times for no consideration. In some agreements, the lessor is also entitled to a one-off payment of a fixed amount or of a fixed amount per System. In some agreements (especially Systems constructed on local authority Facilities) there is an obligation to provide a bank guarantee for the entire term of the agreement.

In most agreements in which the Systems are fully held by the Company, the Holder undertakes to purchase from the Company the entire amount of energy produced in the Systems, in accordance with the electricity meter, at the Energy Demand Management tariff relevant to the customer, at a discount agreed upon between the parties or at the relevant Regulation tariff.

In Projects where the rights holder in the leased holding and the registered electricity consumer are not the same, a separate agreement will be signed with the relevant consumer, which regulates the terms of the purchase of electricity by the renter.

As part of the agreements, it is determined that the leased holding will be delivered to the Joint Corporation, in an "as is" condition, and the Project Corporation will perform at its own responsibility and expense all necessary adjustments and actions required for licensing, construction, operation and

⁶⁰ The provisions listed below include the main provisions applicable to most transactions. Naturally, there is a certain difference between the different agreements.

maintenance of the Systems in the leased area, including connecting them to the electrical grid and arranging electricity generation operations, and will act at its own responsibility and at its own expense to obtain all permits, approvals and licenses required for the construction, connection, operation and maintenance of the Systems, as well as the costs of generating and supplying electricity to the distribution network, and insurances throughout the duration of the engagement.

The Project Corporation undertakes to act in accordance with the provisions of any law with respect to the leased holding and its use, and to indemnify the Holder for any damage, breakdown, loss, forfeiture, or injury caused to him or anyone on his behalf due to the use of the leased holding and as a result of any action or failure by the Joint Corporation.

Some of the agreements include the right of the lessor to terminate the agreement, giving advance notice, in cases such as: a violation or a fundamental violation that has not been remedied, insolvency proceedings, failure to produce guarantees, criminal proceedings, not fulfilling payments in full and on time, transfer of rights contrary to the agreement, where the lessor requires the site in order to build an additional storey or in the event of shading that materially reduces the output. Some agreements have an early cancellation that is not due to a breach and is conditional on a pre-agreed compensation payment. In addition, in some agreements there is a right for the lessor to cancel the lease agreement at his discretion, in the vast majority of cases with payment of compensation calculated on the basis of a formula set forth in the agreement ⁶¹.

Usually, at the end of the contracting period, the Project Corporation must remove the Systems from the leased area and return the area to its condition at the time the lease began in good and proper condition. Sometimes it is determined that ownership of the Systems and the rights arising from them passes to the Holder (with or without consideration and sometimes with symbolic consideration only). In addition, in some agreements there is the possibility for the lessor to obtain the Facilities at the end of the term of the agreement and/or after the termination of the agreement, and in some there is an option for the property owner to choose to purchase the System according to its value or continue the operations of the System in partnership with the profits split between the parties 50% - 50%.

Some agreements state that the Project Corporation may terminate the agreement at any time, for any reason and without explanation, by giving written notice to the Holder. Other agreements detail events and circumstances that give the other party the right to cancel the agreement ⁶².

⁶¹ Such as payment in the amount of the expected revenues from IEC until the end of the agreement period when they are capitalized according to the formula set forth in the agreement, the cost of establishing the System, the cost of establishing the System net of amounts received up to that date, the cost of repayment of the outstanding balance to the bank plus the cost of dismantling the System, etc.

⁶² Such as: failure to complete the construction of the Systems by the stipulated date in the construction agreement, failure to obtain the permits required for the construction of the Systems, lack of economic viability for the construction of the Systems,

Total rents paid by the Joint Corporations in 2019, 2020 and 2021 totaled NIS1,489, 3,052 and 13,712, thousand respectively.

3.1.11 Raw materials, equipment and suppliers

As noted above, the construction activity (EPC) as well as the operation and maintenance (O & M) of most of the Systems held by the Group's Companies are carried out through the Company, as part of the construction and holding operations. For details regarding the terms of the construction agreements, operating and maintenance agreements, as well as the raw materials used by the Group's Companies to establish the photovoltaic Systems, see sections 3.2.2 and 3.2.8 below, respectively.



failure to close the financial support or lack of economic viability of its conditions, reduction of the rate paid for the electricity produced in the Systems, technical failure that does not allow the Systems to operate, a decision on the dissolution of the Joint Corporation, endorsement of the agreement without the consent of the Holder, fundamental breach of the agreement, safety reasons that cannot be remedied, environmental or health related, the Holder's decision to change the zoning of the land or increase the building rights (in this regard subject to payment of compensation), expropriation of land areas, etc.

3.2 The field of construction and operation of photovoltaic Systems in Israel

3.2.1 General information about the field of activity.

3.2.1.1 The structure of the field of activity and the changes occurring in it

The field of activity is based on two types of operations:

- a) Construction (EPC) of photovoltaic Systems by the Group, itself and via subcontractors for the developers of the System.

This is a contracting agreement for planning, licensing, procurement and construction of the System until its successful connection to the distribution network, based on Turn-Key , which regulates the relationship between the Group as the construction Contractor of the System and the owner (developer) of the System. This activity is primarily combined with the development and investment operations in Israel in a way that, as of the report date, the main activity of the Systems is carried out for developers and owners who are Joint Project Corporations held by the Company in cooperation with its Partners.

In addition, an insubstantial part of this activity includes the construction, operation and maintenance of Systems held in full by third parties (other than Joint Project Corporations) ⁶³ and Systems held by the Company and corporations under its control.

- b) Operation and maintenance (O&M) of Systems by the Group, itself and via subcontractors, for the rights holders of the System.

This activity is carried out by virtue of the Operating Agreement for the operation and ongoing maintenance of Systems that have been completed and are commercially operated. This agreement regulates the relationship between the Company as the provider of operating and maintenance services for the System to the rights holder of the System.

In general, operating and maintenance services are accompanied by the construction of the Systems by the Group as part of a complete solution to the construction and support of the System. In addition, most of these services are provided to Systems held by the Joint Project Corporations in the field of development and investment in Israel, while an immaterial part of such services is provided to Systems held by third parties (including Systems established by third parties). At the time of the report, the Group has the Operating Agreements in relation to Systems in commercial operation and ready for connection totaling approximately 240 MW.

⁶³ This activity is also carried out with the view that later the owners of these Systems will cooperate with the Company to establish Systems that will be held by the Company and these third parties jointly.

For more information about construction of the Systems and the operating and maintenance services and the characteristics of engagement in the construction agreement and the operating see clause 3.2.2 below.

3.2.1.2 Limitations, legislation, standardization and special constraints applicable to the field of activity

As part of construction operations, the Group is required to meet the requirements and attributes of the constructed System, in accordance with the various regulatory constraints applicable to the System by virtue of the terms of the relevant Regulation, the various building and licensing permits applicable to the Systems, including in accordance with that which is detailed in section 3.1 below, and within the timetable constraints required to establish the Systems.

For details regarding the subordination of activity to regulations in the field of licensing, planning and construction, engineering and contracting works, and electrical and safety works, see Section 4.8 below.

3.2.1.3 Changes in the scale of activity in the field and its profitability

As noted above, the main activity of construction and maintenance is carried out for the Group's Companies (Joint Project Corporations). Accordingly, the significant increase in the volume of development and investment activity in Israel has also resulted in a corresponding increase in the scope of the field of construction and operation in Israel.

In addition, following the increase in the volumes of electricity storage Systems that the Group's Companies are initiating in Israel, over the past year, there has been a significant increase in the Company's revenues from the construction of electricity storage Systems.

Regarding the profitability rates of the field, it should be noted that in recent years there has been a decrease in the profitability of the field, both in light of the increase in the prices of raw materials and marine shipping, and in light of the increase in competition, which requires the Company to split the revenues of the construction and maintenance activities with its Partners.

3.2.1.4 Market developments in the field of activity, or changes in the characteristics of its customers

Following the expansion of electricity generation activities through individual producers as part of a legislative and regulatory reform, in recent years the number of private producers generating electricity through photovoltaic Systems as an alternative to generating conventional electricity has grown in Israel. The continuation of such trends, together with the continued expansion of the Company's activities in the field of development and investment in Israel and entry into new products, may contribute to the further development of the field of activity. On the other hand, these trends can cause erosion of entry barriers in the field of activity, increase competition, and hurt profitability rates.

3.2.1.5 Technological changes that may materially impact the field of activity

Technological changes in the renewable energy sector as detailed in clause 3.1.1.4 above, may increase demand for construction, upgrading and maintenance of photovoltaic Systems.

3.2.1.6 Critical success factors in the field of activity and the changes occurring in them

In the Company's view, the critical success factors in the field of activity are:

- 3.2.1.6.1 Knowledge, reputation and experience in the field, enabling the construction of Projects according to the customer's needs, while maintaining competitive prices alongside striving for profitability.
- 3.2.1.6.2 Financial stability in conjunction with optimal conditions for obtaining external financing and advances from the Client for the purpose of establishing low-cost Systems.
- 3.2.1.6.3 Supporting Regulations that allow the construction of additional Systems.
- 3.2.1.6.4 Professionalism and efficiency in the field of design, licensing, procurement and construction of electricity generation Systems, which will ensure the timely completion of Projects and the maximum output of electricity in accordance with the conditions of the area, technical data, and the other constraints in each Project, taking into account the needs of the client of the work.
- 3.2.1.6.5 Personnel with knowledge and experience in the field of activity.
- 3.2.1.6.6 Ability to monitor and control, in real time, and ongoing maintenance at a high level, for rapid detection and repair of defects and malfunctions in the performance of the Systems, and to optimize the production of electricity during the operating period, according to the needs of the customer.

3.2.1.7 Changes in the set of suppliers and raw materials in the field of activity

See clause 3.2.9 below.

3.2.1.8 The main entry and exit barriers of the field of activity and changes applicable to them

3.2.1.8.1 Entry Barriers

- Knowledge, expertise and experience - The construction and maintenance activities of the Systems involve accumulated knowledge, expertise and proven experience in terms of professional planning and licensing capabilities, performance capabilities of engineering and electrical work, knowledge of suppliers relevant to the various components and meeting constraints for the construction and maintenance of the Systems, in accordance with the regulation and requirements of the work requisitioner, which require training and cultivation of the Group's human capital.

- [Licensing](#) - The operation of setting up and maintaining involves licensing, classifications and certifications in regards to the different works, as set out in clause 3.2.1.2 above and section 4.8 below.
- [Accessibility to sources of financing/financial stability](#) - The implementation of the construction work involves purchasing the raw materials and employing professional employees and subcontractors at substantial financial volumes over the period of the construction of the Systems and the provision of execution and rectification guarantees for the benefit of the work requisitioner.

3.2.1.8.2 Exit barriers

The Company's ability to free itself from the construction and Operating Agreements. In this context, it should be noted that as detailed in Section 3.2.2 below, the construction agreements include, among other things, a commitment to provide liability for relatively long periods of up to 10 years on some components of the Systems, and contractual sanctions, such as forfeiture of performance guarantees and rectification guarantees, as well as compensation arrangements in the event of a breach.

3.2.1.9 Alternatives to the products in the field of activity and changes occurring in them

See Section 3.1.1.7 above.

3.2.1.10 The competition structure in the field of activity and the changes occurring in it

See section 3.2.7 below.

3.2.2 Products and services

As noted above, the field of activity includes two types of operations:

- 3.2.2.1 **Construction activities (EPC), of photovoltaic Systems and power storage Systems** by the Group, itself and via subcontractors, based on a contracting agreement for planning, licensing, procurement and construction of the System based on Turn-Key.

The construction agreement regulates the relationship between the Company as a Contractor for the construction of the System and the developer at the construction sites of the System who acquires rights in the System. As noted, such developers may be third parties, Joint Project Corporations with Partners (or the Company itself in regards to Projects held by the Company itself and/or through subsidiary corporations). The construction activity mainly includes the following:

- a) [Construction planning and licensing](#) - preparation of engineering and electrical plans, drawings, environmental and hydrological documents, applications for a building permit, etc. The more complex licensing procedures (such as approvals by the Israel Land Authority, planning

and construction committees, Fire Authority, Water Authority, Ministry of Health, Ministry of Agriculture, etc.) are done in collaboration between the developer and the Company.

The design of the Systems is done with an emphasis on the energy efficiency of the System, based on the procurement and integration of high-quality products and advanced technology. The design includes, inter alia, maintenance planning of the System, and sometimes in relation to solar Systems, integration of an automatic washing System of the solar panels.

- b) **Procurement of equipment and construction works** - **The construction works include the preparation of infrastructures (preparation and upgrading of physical infrastructures as necessary including the execution of removal works, sealing, strengthening of roofs and structures, and the upgrading of electrical infrastructures, as appropriate), the installation and synchronization of all the System components acquired, according to the required attributes, and their successful connection to the network. This activity also includes the replacement and/or upgrading of existing Systems. The execution of the works is in accordance with the plans approved by the developer.**

The main characteristics of the construction agreements in relation to the above construction services will be described below ⁶⁴ :

- (1) The Company is responsible in some of the engagements for obtaining all approvals and permits, including the approval of the IEC, for the construction of the System and sometimes also for obtaining the necessary financing for the construction of the System, within the time stipulated in the agreement. Sometimes, the Company provides interim financing until the funding is received. **The construction period which the Company is obligated to comply with, is usually within 12 months of approval of the construction plan in relation to Systems built on roofs and reservoirs and up to 12 months from receipt of the construction permit.** Failure to meet the deadlines for the construction of the System may give the developer grounds to cancel the construction agreement. **In such a case the Company alone bears all the costs incurred by it.**
- (2) **The Company is obligated to purchase at its own expense** construction works insurance policies (including third party liability coverage and employer liability insurance) as well as a product liability and professional liability insurance policy for up to 7 years after the construction of the System, all in amounts set forth in each agreement.
- (3) The consideration the Company is entitled to receive are fixed, derived from the Capacity of the

⁶⁴ The provisions listed below include the main provisions applicable in most agreements. Naturally, there is a certain difference between the different agreements.

established System, or derived from the cost of construction plus an agreed margin, according to the circumstances. The consideration is paid to the Company in accordance with milestones set forth in the agreements (usually for solar Systems - up to 10% is paid as a down payment, between 70% and 85% is paid during construction work (divided into several milestones including infrastructure installation and construction of the infrastructure, procurement and installation of the equipment (about half of the proceeds) and successful completion of the System tests, and at least 10% of the proceeds are paid with the connection of the System to an electrical grid, at the transfer of ownership of the System to the developer; and for storage Systems - 50% of the cost of the storage System at the time of its commissioning and the rest throughout the construction period until the date of commercial operation).

- (4) **Mostly, the Company provides the solar Systems with a warranty for the quality of the System construction work (rectification warranty) for a period of 2 to 5 years, a warranty with respect to the solar panels for periods of 10-12 years, a product warranty for periods of 20 to 25 years, a warranty for the converters and constructions for periods of 5 to 10 years, a product warranty for the System, and a warranty for the performance of the System. Sometimes, a warranty for a longer time period than the trial period is subject to a maintenance agreement with the Company. the holding of the System and all risks involved, with exception of the warranty as stated, transfers to the work requisitioner upon completion of construction and the connection of the System to the electrical grid.**
- (5) **The construction agreements include technical specifications and estimated Capacity of the System. Generally, the Company commits to a minimum output from the System throughout the period of warranty, subject to an engagement through a maintenance agreement. In addition, sometimes the Company's responsibility for such output is for longer periods (until the end of the maintenance agreement or 25 years, as specified in section 3.2.2.2 below).**
- (6) **Some of the agreements include a commitment by the Company to pay an agreed compensation for late delivery of the System, calculated according to the number of late delivery days or the promised daily output of the System, as applicable, as well as for underperformance of the System during the warranty period.**
- (7) **In most of the construction agreements, the Company undertakes to provide the customer with performance guarantees of 5% to 10% of the construction services proceeds and quality/rectification guarantees amounting to 5% to 10% of the construction services proceeds during the warranty periods (usually for two years and sometimes for longer periods but no longer than the warranty period). In some agreements there is a commitment by the Company, in the event of defects affecting the output of the Systems, to extend the validity of the quality guarantee.**

- (8) In most of the construction agreements, there is a limitation of the Company's liability under the construction agreement up to the amount of contractual consideration for the construction (but sometimes in higher amounts) or in accordance with the contents of the insurance coverage of the Project, as applicable, as well as the provisions and waivers of rights and exemption in relation to the work requisitioner under the insurance arrangements.
- (9) The Company is not permitted to assign and/or mortgage its obligations and rights under the construction agreement but may engage subcontractors to fulfill its obligations under the construction agreement.

3.2.2.2 Operation and maintenance activities (O&M) of the Systems are carried out by the Group itself and via subcontractors, for the right holders of the System, based on an agreement for the ongoing operation and maintenance of the System in commercial operation. This agreement regulates the relationship between the Group as providing System activation and maintenance services to the right holders of the System. **Typically, the operating and maintenance services accompany the Systems construction services, provided as part of an overall solution that the Company offers for the construction and support of the System. However, sometimes these services are also provided to Systems not built by the Group.**

Operating and maintenance services include responsibility for controlling and monitoring System performance, including monitoring electricity generation on a regular basis and output control; ongoing maintenance of the System and its performance, through routine preventive treatment (such as periodic testing of the System and preventive treatment to prevent malfunctions, wear and failure, including periodic washing of solar panels); handling malfunctions (including replacement of spare parts, interface management with various equipment manufacturers, etc.); and exercising the Company's responsibilities under the construction agreement and assisting in the implementation of the manufacturer's responsibilities.

The main features of the operating and maintenance agreements ⁶⁵ will be listed below:

- (1) The term of the agreement is usually for initial periods of 2-5 years with an automatic extension annually, subject to the developer's prerogative not to renew or to terminate the agreement during the contracting period on acceptable grounds, including failure to operate the System.
- (2) During the term of the agreement, the Company is obligated to ensure continuous operation of the System and the availability of the solar System with at a Capacity that does not fall, as a

⁶⁵ The provisions listed below include the main provisions applicable in most agreements. Naturally, there is a certain difference between the different agreements.

rule, under 98% of the System's output, unless the System has been damaged and not by/ due to the Company's operating and maintenance services in relation to the System.

- (3) **The Company is obligated to purchase at its expense** operating risk insurance policies, including professional liability insurance coverage and product liability, third party liability insurance and employer liability insurance, **which will apply during the entire term of the agreement.**
- (4) **In most agreements, the main consideration to which the Company is entitled is derived from the installed Capacity of the System (according to the fixed tariff per output unit). The consideration is paid to the Company on an ongoing basis (usually on a quarterly basis). If there is a reduction in the guaranteed Capacity of the System, the developer is entitled to an agreed indemnity in accordance with the rate of decrease in output.**
- (5) **In most Operating Agreements, there is a limitation of the Group's liability to the amount of the contractual consideration or in accordance with the contents of the Company's insurance coverage, as applicable, as well as waiver clauses for the right of subrogation and exemption in relation to the work requisitioner under the insurance arrangements.**

3.2.3 Segmentation of revenues from products and services

The following is a segmentation of the Company's revenues in the field of operations, for 2019, 2020 and 2021, with respect to services with similar economic, business or performance characteristics in the field of activity, which accounts for 10% or more of the Company's total revenues::

	2021	% of Company Revenue	2020	% of Company Revenue	2019	% of Company Revenue
Construction of the Systems on roofs	109,377	31%	123,043	59%	113,816	80%
Construction of Systems on reservoirs	184,411	52%	78,736	38%	18,700	13%
Construction of power storage Systems	48,470	14%	---	---	---	---
Operation and maintenance of Systems	9,485	3%	6,814	3%	6,142	4%
Total Revenue	351,743	100%	208,593	100%	138,658	98%

3.2.4 Customers

3.2.4.1 The customer mix

At the time of the report, the Company has over 100 clients in the field of activity. The vast majority of the Company's clients in the field of activity are Joint Project Corporations held in cooperation

with the rights holders of the real estate (especially Kibbutzim and real estate-rich business entities (especially industrial and real estate companies)).

In 2019, 2020 and 2021 the Company had no substantial clients or very substantial Projects in the field of activity. The Company also has no dependency on a single client or a limited number of client in the field of activity.

In the Company's opinion, the termination of the Company's engagement with a particular client will have no material impact on the Group's business, both due to a substantial dispersion of the Company's customers in the field of activity and the field of activity's relative part in the Group's overall activity.

3.2.4.2 Types of customers

The following is data on the distribution of the Company's revenue from its customers in 2019, 2020 and 2021, in a cross-section by customer types:

Customer Type	Company's revenues in the field of activity		
	2021	2020	2019
Joint Project Corporation *	339,219	196,692	102,754
Third Parties	12,524	11,901	35,904
Total	351,743	208,593	138,658

* These revenues constitute fixed assets in the Project Corporations in the field of Development and investment in Israel by the Company.

3.2.4.3 Seniority of customers

The construction activity of the Systems in the field of activity is characterized by a Project type relationship under the construction agreements, which is short-term and one-time in nature, until the System is upgraded or replaced, as required for a longer term, as performed. On the other hand, operating and maintenance activity (which is usually provided in relation to Systems constructed by the Company) is inherently long-term and usually lasts throughout the life cycle of the System. Therefore, the vast majority of the Group's clients in the field of activity (which are mostly the Joint Project Corporation) are regulars.

3.2.5 Marketing and Distribution

Marketing in the field of activity is based mainly on marketing efforts in the field of development and investment in Israel with the Partners in the Project Corporation. See Section 0 for details.

3.2.6 Recognition of Project revenue and order backlog

3.2.6.1 Order backlog

- (1) The following is the group's backlog of orders (for binding orders not yet recognized as income in the Company's financial statements) segmented according to the expected income recognition period (excluding the implementation of construction work for Systems fully held by the Company and/or corporations under its control):

Expected Income Recognition Period (*)	The backlog of orders (* *) for 31/12/2021 (in thousands of NIS)	The backlog of orders at the time of the report (in thousands of NIS)
Q1 2022	30,386	---
Q2 2022	54,429	56,051
Q3 2022	59,756	62,784
Q4 2022	72,555	84,875
Year 2023	18,750	19,750
Year 2024	18,750	19,750
Year 2025 onwards	18,750	19,750
Total	292,127	282,711

(*) For details regarding revenue recognition policies in the field of activity, see Annotation 2 of the Company's financial statements.

(* *) The backlog of orders includes proceeds that the Company is entitled to receive by virtue of the construction agreements (EPC), which have obtained in full the necessary approvals to begin their construction and proceeds that the Company is entitled to receive by virtue of Operating Agreements (O&M) until the end of the term of the agreement.

It should be emphasized that the order backlog does not include potential orders from the Group's Systems in pre-construction and development, which have not yet received the full approvals required to begin the construction of the Systems.

- (2) The following is a characterization of the order backlog mix:

The backlog of orders up to and including 2022, including expected revenues by virtue of the Operating Agreements and by virtue of the construction agreements, in accordance with the Company's estimates regarding the expected implementation of the construction work of the Systems (based on the timetables set forth in the construction agreements and past experience regarding the pace of the work. Approximately 91% of the total order backlog for 2022 including expected revenues by virtue of construction agreements. The remaining revenues included in the order backlog include Projected Operating Agreement revenues. In addition, the backlog of orders from 2023 onwards includes only expected revenues by virtue of the Operating Agreements of a commercial operating System/after construction.

- (3) The group's order backlog for December 31, 2021, compared to previous years (in thousands of NIS) is as follows:

31.12.2021	31.12.2020
292,127	265,957

There have been no material differences between the actual revenue from construction and maintenance and the order backlogs listed above.

Except for the fact that the mix of the order backlog as of 31.12.2021 includes inter alia income from the construction of storage Systems, the mix of the order backlog as of December 31, 2020, is not materially different from the mix of the order backlog as of December 31, 2021.

The changes in the order backlog at the dates listed above are primarily due to an increase in the number of Systems under construction as well as an increase in the number of Systems in commercial operation, which the Company is responsible for maintaining.

3.2.7 Competition

Whereas the construction and maintenance activities are intended first and foremost for carrying out the construction and maintenance work for corporations owned by the Group Companies, competition in the sector is in relation locating land, roofs and reservoirs for the construction of Systems. For details regarding the Company's main methods of dealing with competition and the positive and negative factors affecting it, see section 3.1.7 above.

3.2.8 Production Capacity

Production Capacity in relation to the construction of the System by the Group is relatively flexible, considering the availability of inventory and procurement of the components of the Systems and the recruitment of subcontractors, in accordance with the needs of the construction of the Systems, the scope of works and the timetables for their implementation.

3.2.9 Raw materials and suppliers

3.2.9.1 System Components

The main equipment used by the Group companies for the construction and maintenance of the Systems in the field of activity includes solar panels, installation infrastructure of the panels (construction), buoys in relation to the Systems installed on water reservoirs, inverters, cables, connectors, electrical cabinets and production meters.

The bulk of the equipment used for the construction of the System (solar panels, storage Systems, inverters and buoys for construction on water reservoirs) was purchased from suppliers abroad mainly in the dollar currency, but also in other currencies such as EURs.

The purchase of the equipment from the suppliers is usually carried out for specific Projects and for ongoing maintenance needs, on a per Project basis, depending on the types of equipment and the quantities required for each Project and its maintenance.

3.2.9.2 **Accounts payable and subcontractors**

The Company is careful to purchase components for the photovoltaic Systems from suppliers which, to the best of the Company's knowledge, are leaders, experienced, and reputable in the photovoltaic field. The purchase of the main equipment is made, mainly, from the following suppliers:

Panel **Manufacturers** - Hanwha Group (Germany/China), Sumec (Hong Kong) JINKO (China), JA Solar (China).

Converter **Manufacturers of** - SMA (Germany), Kaco newenergy (Germany), Solar edge (Israel) and SUNGROW (China)

Buoy **Manufacturers** - Sungrow (China) and CielEtere (France).

Manufacturers/importers of storage Systems - Tesla (**USA**) Balilious Group (**Israel**).

Infrastructure Installation of the panels (construction) - executed by several contractors in Israel.

In addition, the Group engages service providers for the preparation of plans, drawings, requests for a building permit **etc.**, as well as with subcontractors for the execution of construction works, which mainly include infrastructure and construction works and electrical works (including removal, sealing, reinforcement of roofs and structures, installation of the construction, panels, converters, cables, electrical panels, connection and wiring communication and electricity, cleaning, regular servicing of the Systems, etc.).

The Company estimates that due to the plurality of companies in the world that manufacture components for photovoltaic Systems, which have similar technical **capabilities** to the suppliers from which the Group purchases the components as stated, and due to the plurality of subcontractors performing construction work of the Systems, as well as the Company's experience in the construction of photovoltaic Systems, it has no dependence on any particular supplier or subcontractor. It should be noted that in order to minimize risks of contracting with suppliers and subcontractors even in the short term, the Company is in the habit of maintaining relationships with a number of suppliers and subcontractors in relation to most types of equipment and works.

Hereinafter the main terms of engagement with the raw material suppliers and subcontractors shall be described:

Equipment suppliers (mainly panels and converters)- Purchases are made by virtue of framework agreements or on a per Project basis, in USD or EUR currency, where the payment consists, as a rule,

of an advance payment of up to approximately 10% and the balance being paid in cash against the shipment of the equipment or under the terms of an irrevocable letter of credit within 90 days, as the case may be. The Supplier usually has a lien on the Equipment until full payment of the Consideration.

The warranty period provided by the panel suppliers for defects in the product is, generally, for periods of 10-12 years for the product, depending on the type of panel. In addition, as a rule, a warranty for the output of the panels is given until the end of 25- **30** years from the date of delivery of the panels, depending on the type of panels, with an agreed rate of decrease in output during the aforementioned warranty period. The standard warranty period in relation to converters is usually between 5 and 10 years, with expansion options for periods of 10 to 25 years. Most of the warranty provided by the buoy suppliers is for a period of up to 10 years.

Battery Supplier (Tesla) - The purchases are made by virtue of framework agreements signed in March and November 2021, in which the Company undertook to order Systems with a minimum power of 300 megawatts, which will be shipped in the period from the end of 2021 to March 2024, against a payment of approximately 84 million USD, when the payment consists of an advance payment of approximately 5% and the balance paid in several milestones until the equipment is shipped. According to the agreement, the supplier has a lien on the equipment until payment of the full consideration. In addition, it is stipulated as part of the agreement that the Company (or the Project Corporation, as applicable), will purchase maintenance services from Tesla in the amounts specified in the agreement.

The warranty period is 15 years. During this period, Tesla grants only a limited warranty, subject to obtaining maintenance services, in relation to the maximum cumulative discharge rate and the minimum storage rate which decreases annually (up to a rate of 65.5% in the 15th year) subject to compliance with the conditions set forth in the Warranty Letter. In this context, it should be noted that the Tesla Warranty does not cover the full liability of the Company and the full risks associated with the operation of the stockpile.

In this context, it should be noted that the responsibility of the panel manufacturers, batteries and converters, does not cover the full undertaking of the Company and the risks involved in operating the Systems installed in the various Projects (both in terms of the amount of damage, in terms of the warranty period and in terms of the conditions for warranty). The Company's financial statements do not include provision for liability received from various parts manufacturers, professional liability insurance of the Company and the assessment that making repairs does not involve additional personnel costs.

Subcontractors - Most of the engagements with subcontractors are determined on a Pauschale basis (lump sum) in exchange for a fixed amount ⁶⁶, when the consideration is paid for the execution of the works according to and subject to compliance with the milestones and timetables specified in the agreement. Agreements with contractors are usually for the execution of contract work in connection with infrastructure work and/or construction work for the installation of the System parts and/or the execution of electrical work, when the System components (installation infrastructure, including buoyancy Systems for the System installed on water reservoirs, as well as solar panels and converters) and the construction plans provided by the Company. The following is a list of suppliers and subcontractors whose scope of orders placed by the Group, for the supply of equipment and materials and/or for the execution of works, as applicable in 2019, 2020 and 2021, accounted for 5% or more of the Company's sales and services during the above periods:

Name of Supplier/Service Provider	Type of Supplier/Service Provider	Order rate from Company's cost of sales and services		Contracting Type
		2021	2020	
Supplier 1	Manufacturer of photovoltaic panels	10%	23%	See Section 3.2.9.2 above
Supplier B	Subcontractor for the construction of the Systems	13%	10%	See Section 3.2.9.2 above
Supplier 3	Manufacturer of buoys	5%	14%	See Section 3.2.9.2 above
Supplier 4	Manufacturer of photovoltaic panels	---	13%	See Section 3.2.9.2 above
Supplier 5	Subcontractor for the construction of the Systems	9%	---	See Section 3.2.9.2 above
Supplier 6	Logistics services	7%	---	See Section 3.2.9.2 above

⁶⁶ A Pauschale agreement is a contract to perform work and/or provide a service in exchange for a total and fixed amount. The Pauschale price expresses the evaluation of the work performer or the service provider in relation to the quantities required to perform the work and/or services in the Project, in such a way that the total price to be paid does not depend on the quantities actually performed (whether these be higher or lower than the evaluation).

Name of Supplier/Service Provider	Type of Supplier/Service Provider	Order rate from Company's cost of sales and services		Contracting Type
		2021	2020	
Supplier G	Subcontractor for the construction of the Systems	6%	---	See Section 3.2.9.2 above



3.3 Development and Investment in Renewable Energies Abroad

3.3.1 General information about the field of activity.

3.3.1.1 General

The Company's operations within this field of activity focus on the initiation, financing, construction, operation and holding of **renewable energy Projects** in the solar, battery and wind power storage sector in the United States, Poland, Romania, Spain, Italy, England, Serbia and the Czech Republic.

The company's operations in the field of activity are based on establishing or entering a development platform in a specific country or geographic area, with the purpose of initiating, developing, establishing, financing, holding and selling Projects of the type set forth in the agreement with the Partner. With the construction of the platform or entry of the Company, the Company works to establish local staff (or enters into services agreements) responsible for carrying out the platform's activities and creating the value in the Project.

It should be noted that similar to activities in Israel, where the Company focuses on establishing Projects by virtue of orders characterized by high rates, in this field of activity as well, the activity is based on activity in markets, segments and Projects with "added value" and excess returns, as follows:

The initiation activity in the United States - As stated above, as of the date of the report, the Company's activity in the United States is carried out using Blue Sky, which is held 67% by the Company and engaged in the initiation, development, licensing, financing, contracting with Tax Partners, planning, management, construction and maintenance of solar Projects on the roofs of commercial buildings and storage Systems in the United States. Blue Sky activity focuses primarily on collaborations and engagement with REITs that hold hundreds of commercial real estate assets ("**Real Estate Companies**"), the construction of solar Systems on the roofs of their properties and the sale of the electricity produced in them to the tenants of the real estate companies, at a rate based on the Retail rate.

During the period from the date of acquisition of Blue Sky's holdings by the Company, Blue Sky, primarily worked to increase its Project initiation portfolio, entering into principles agreements with the REITs regarding the construction of Systems on their premises, and submitting connection requests for various Projects. For details regarding Blue Sky Systems see section 3.3.1.4 below. For details regarding the Blue Sky Holding Purchase Agreement see section 4.7.4 below and also immediate disclosure published by the Company on May 25, 2021 (reference no. 2021-01-029851), which is incorporated in this report by reference thereto.

Initiation activities in Spain - As stated above, the initiation activities in Spain are carried out through Noy-Nofar Europe, in collaboration with local developers who hold between 5% and 10% of

the rights in the Projects. For details regarding the cooperation agreement with the local developers, see section 3.3.1.3 in the Business Description chapter of the periodic report to 2020, which is incorporated in this report by reference thereto. As of the date of the report, the Company holds via Noy-Nofar Europe Olmedilla and Sabinar Projects, which are solar Projects in Spain with a Capacity of approximately 169 and 238 MW respectively. As of the date of the report, the Olmadilla Project has been completed and is expected to connect to the electricity grid during the coming weeks, and the Sabinar Project is in the process of being established, with its construction expected to be completed during 2022.

During the years 2021 and 2022 (until the date of the report), the Group's Companies entered into construction agreements (EPC) regarding the construction of the Sabinar Project, and a memorandum of principles regarding negotiating an agreement for the sale of electricity (PPA) of the Olmedilla Project ⁶⁷.

Development activities in Italy - The Company's activities in Italy are carried out through Sunprime, which deals with the development, design, licensing, construction and operation of photovoltaic Systems on roofs in Italy and in ground Systems, operating by virtue of a tender procedure carried out by the Italian Electricity Services Manager (GSE) for the sale of electricity in the form of a Contract for Differences as well as additional ground Systems. As of the date of the report, the average rate of the Systems promoted by Sunprime that have won GSE tenders is approximately €93 per megawatt.

During the years 2021 to 2022, Sunprime increased its Project backlog to approximately 262 MW, of which about 130 MW were awarded GSE tender procedures and the rest are in various stages of development, as well as commencing construction work on the first Projects that were awarded tenders. In parallel to these actions, as of the date of the report, Sunprime is engaged in the initiation of additional Projects in Italy.

As of the date of the report, Noy-Nofar Europe holds 30% of the rights in Sunprime and has the right to increase its holdings at the rate of 50% of Sunprime's issued capital. For details regarding the Sunprime Holdings Purchase Agreement see the immediate disclosures published by the Company on February 1 and 7, 2021 (reference no. 2021-01-012418 and 2021-01-015135), which is incorporated in this report by reference thereto.

Initiation activities in Poland - The main activity of the Company in Poland is carried out through Electrum Nofar, a corporation held 80% by Nofar Europe and 20% by Electrum SP. Z O.O. (" **Electrum**

⁶⁷ For details regarding the Memorandum of Principles, see the immediate disclosure issued by the Company on 6 March 2022 (reference number 2022-01-022086), which is incorporated in this report by reference thereto .

"), which to the best of the Company's knowledge is an engineering, construction and maintenance company in the energy sector in Poland, and is one of the leading EPC contractors in Poland, with extensive experience in construction (EPC), maintenance (O&M) and management (EPCM and Asset Management) of complex energy Systems in significant volumes, and in particular in the renewable energy sector (wind farms and solar Projects).

In accordance with the agreements between the Company and Electrum, Electrum is responsible for locating the Projects and providing all the services required for their development, and the Company is responsible for providing the full funding required for its activities (including for the purpose of developing the Projects and providing the equity required under the financing agreements).

By the date of the report, Electrum had transferred to Nofar its rights in solar Projects at various stages of development, with a Capacity of up to 412 megawatts acquired and developed by Electrum. In addition, as of the date of the report, Electrum Nofar is working for the initiation and location of solar and other wind Projects throughout Poland with the aim of those being held by Electrum Nofar. For details regarding the agreement with Electrum and the terms of the transfer of the Projects to Electrum Nofar, see the immediate disclosures published by the Company on November 21, 2021 (reference no. 2021-01-168729) and March 6, 2022 (reference no. 2022-01-022056), which is incorporated in this report by reference thereto.

In addition to the activities of Nofar Electrum, in November 2021 Nofar Europe entered into an agreement to acquire a portfolio of Solar Projects in Poland with a Capacity of up to 185 MW. For details see the immediate disclosure published by the Company on November 24, 2021 (reference number 2021-01-170472), which is incorporated in this report by reference thereto.

The initiation activity in the UK - During 2021, the Company established, together with local developers, two dedicated initiation platforms: Noventum - engaged in the initiation of solar and wind Projects in the UK and Atlantic Green - engaged in the initiation of battery storage (BESS) Projects in the UK.

During 2021, Atlantic Green entered into an agreement to purchase a battery storage Project with a connection point of between 300 and 350 megawatts and a storage Capacity of approximately 700 megawatts per hour. As of the date of the report, Atlantic Green is working to complete the conditions precedent to the acquisition of the Project (including acceptance of Planning Permission for the Project) and preparation for further promotion and construction of the Project, examination of the acquisition of additional construction Projects and self-initiation of storage Projects. For details regarding the Cellarhead Project Purchase Agreement and the founding agreement of Atlantic Green

see the immediate disclosure published by the Company on December 19, 2021 (reference no. 2021-01-181458), which is incorporated in this report by reference thereto.

As of the date of the report, Noventum is engaged in the establishment of a local team and the preliminary initiation of a number of solar and wind Projects in the UK.

Romania - during 2021 and 2022, the Company worked to establish a local initiation platform in Romania (Nofar Energy Srl) responsible for initiating, locating, developing, acquiring, establishing and financing solar and wind Projects in Romania. At the same time, the Company acquired, together with Econergy, a solar Project with a Capacity of approximately 155 megawatts, which is in the initial stages of construction. For details regarding the purchase agreement and agreements with Econergy regarding the management of the Project Company, see the immediate disclosures published by the Company on May 27, 2021 (reference number 2021-01-031756), July 4, 2021 (reference number 2021-01-110811) and November 7, 2021 (reference number 2021-01-094738), which is incorporated in this report by reference thereto.

As of the date of the report, Nofar Energy Srl is engaged in the initiation of solar and wind Projects in Romania, at the same time as conducting negotiations to acquire several Projects with a Capacity of hundreds of MW in Romania.

Initiation activities in Serbia and the Czech Republic - During the reporting period, Nofer Europe engaged with local developers in Serbia and the Czech Republic in agreements regarding the establishment of a joint initiation platform engaged in the initiation of solar Projects in the Czech Republic, Serbia and a number of other countries in the Balkans. At the time of the report, the promoters are working to initiate and locate Projects in these countries.

[The following shall be described in summary the main provisions of the founders' agreement between the Company and its Partners in the various countries](#)⁶⁸ :

The agreement regulates the activities of the Joint Corporation, the segments and geographical areas in which it is active, as well as the rate of the parties' holdings in the Joint Corporation, as at the date of the report the rate of the Company's holdings in the joint corporation is between 67% and 95%, of the rights of the Joint Corporation.

⁶⁸ The provisions listed below include the main provisions applicable to most transactions. Naturally, there's a certain difference between the different Projects.

In some of the agreements there is an obligation for exclusivity in the Joint Corporation's activity, on behalf of both the Partner and the Company and sometimes the obligation is on behalf of the Partner only.

Additionally, most of the agreements include provisions regarding the obligations of the parties, where usually, the local Partner is responsible for locating potential Projects, developing them, obtaining the permits required for their construction, etc., and the Company undertakes to finance the Joint Corporation's activities by way of an interest-bearing shareholder loan at the rates agreed between the parties.

In most of the agreements, at the same time as entering into the founders agreement, an employment agreement or services agreement is also signed, between the Joint Corporation and the local Partner, which regulates the remuneration to which the local Partner is entitled against the award of management and/or development services by it. In addition, in Electrum Nofar it was determined that Electrum (the local Partner) has the right to provide the Project Corporation with services for establishing and maintaining the Systems promoted by it (in addition to development services), and the right of first refusal in relation to bids from third parties.

In addition, most of the agreements include provisions regarding the appointment of the directors (where usually the Company is entitled to appoint the majority of the members of the board of directors of the Joint Corporation), the majority required to make decisions in the Joint Corporation, and decisions that are also subject to the consent of the local Partner or the directors appointed according to its recommendation. In addition, most of the agreements include restrictions on the transfer of shares (such as a blocking period during which the parties are prohibited from transferring their shares in the Joint Corporation, right of first refusal, right of first offer, Tag-Along and Drag-Along). Additionally, some of the agreements also include the BMBY mechanism, and/or the right of the Company and/or the local Partner to require the Company to purchase the rights of the local Partner in the Joint Venture, at a value derived from a procedure set forth in the agreement.

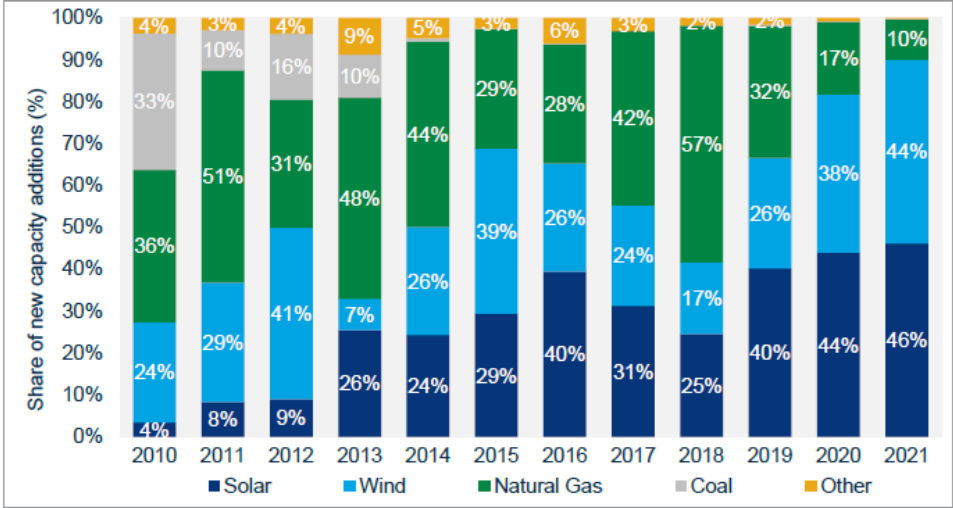
3.3.1.2 **The general environment and developments in the markets of the field of activity**

US Renewable Energy Market

2021 was a record year for the renewable energies industry in the United States and in particular for the solar energy sector during which solar Projects totaling approximately 23.6 gigawatts were added to the American electricity grid.⁶⁹ The volume of new solar Projects connected during 2021 placed the

⁶⁹ <https://www.seia.org/states-map>

solar energy industry, for the second consecutive time, at the top of the new energy production sources in the United States:



According to estimates, the continued growth trend in the renewable energy sector in the United States is expected to continue in the coming years, thanks to federal, state, and local support for investing in companies that are working to reduce greenhouse gas emissions, maturation of new technologies in the fields of storage, as well as a significant decrease in the production costs of solar System components in recent years. However, during the second half of 2021 there was a change in trend relating to the prices of the raw materials used for the production of the solar Systems. The main reasons for the change in trend and the rise in prices are disruptions in the global supply chain that created a shortage of required components, as well as restrictions imposed by the U.S. government on the import of solar products from Xinjiang province of China during 2021.

In this regard, it should be noted that according to the publications, the U.S. Commerce Department is looking into launching an investigation into the import of solar products from factories in the Southeast Asian countries (Vietnam, Thailand and Malaysia) on suspicion that they are illegally circumventing the import restriction from Xinjiang Province, being in fact an extension of the factories from Xinjiang Province. To the best of the Company's knowledge, the factories in the Southeast Asian countries are major suppliers of solar Systems components in the United States, and a decision to launch an investigation may affect the prices of solar components and their availability ⁷⁰. It should be noted that the Company is monitoring these processes and their impact on Blue Sky's operations,

⁷⁰ <https://www.bloomberg.com/news/articles/2022-03-15/solar-trade-probe-may-chill-u-s-Projects-developers-say?sref=rzkNsxfE>

and is also working with it and assisting it in obtaining availability and attractive prices of solar components through its relationships and procurement Capacity with leading global suppliers.

The election of Joe Biden as the president of the United States, in whose election campaign the issue of climate crisis and its importance were already emphasized, gave a significant push to the renewable energies sector at the end of 2020 and the beginning of 2021 when he took office. From the time of his election to the presidency, the Biden administration promoted the renewable energies sector, with, among other things, the US's return to the Paris climate agreement, adopting a government program to reduce greenhouse gas emissions (Clean Electricity Performance Program) in the energy industry by 80% by 2030 and a 100% target in 2035 and approving an Infrastructure Bill in the extent of \$1.2 trillion for investing in vital infrastructure across the US, including electricity infrastructure .⁷¹

At the end of 2020, even prior to President Biden's entry into the presidency, the eligibility period for a federal tax incentive for investment in renewable energies (Investment Tax Credit- ITC) had been extended by an additional two years at the same rates, so that Projects under construction in 2022 and 2023 would grant their owners an income tax credit of 26% of the cost of the Project. The benefit rate will decrease to 22% in 2023 and to 10% in 2024. In this regard, it should be noted that the Biden Administration was able to approve another significant plan to reduce the use of greenhouse gases, "Build Back Better", which included granting incentives and/or penalties to the local electricity companies (Utilities) according to their performance. Among other things, according to publications, the Biden administration is looking into an additional extension of the ITC as well as raising the tax refund rate to the extent of 30%⁷², providing tax credits (ITC) to standalone storage System only, and direct payment to the owners of the Systems following the granting of the tax credit. It should be noted that as of the date of publication, there is uncertainty about how the program will be approved, and its scope.

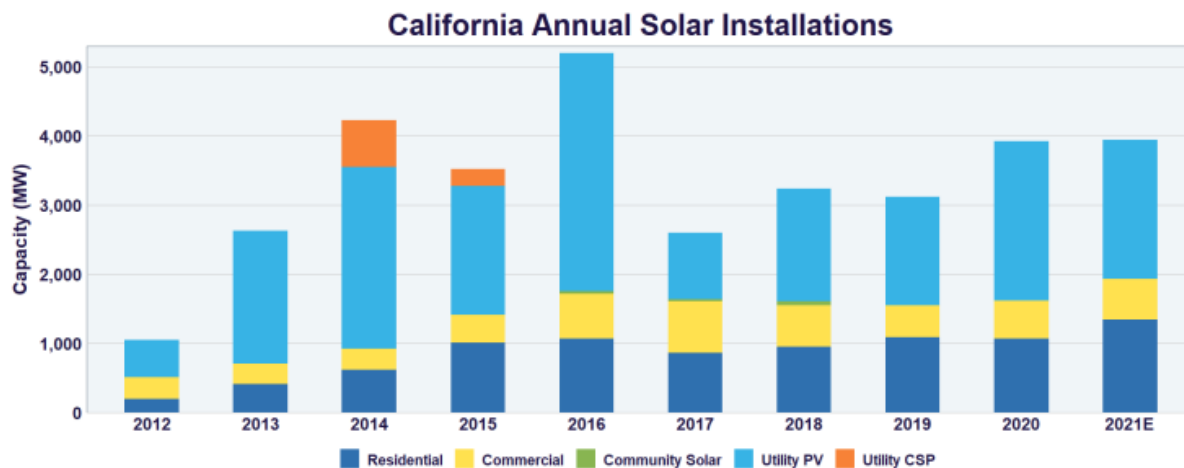
Beyond federal programs and benefits, a significant portion of U.S. states have adopted national programs to encourage a transition to the use of renewable energies (Renewable Portfolio Standard) that include providing benefits and/or incentives to entrepreneurs for promoting renewable energy Projects in their states.

As of the date of the report, most of the Projects being promoted by Blue Sky are in the California area. According to publications, California is a market leader in renewable energy and has been leading the market growth in the United States for years. Among other reasons, we can mention the ideal climate, awareness of renewable energies, the setting of a target for transitioning to energy consumption from

⁷¹ <https://www.whitehouse.gov/briefing-room/statements-releases/2021/11/06/fact-sheet-the-bipartisan-infrastructure-deal/>

⁷² <https://www.pv-tech.org/10-year-solar-itc-extension-standalone-storage-credit-and-ptc-revival-included-in-draft-budget-bill/>

renewable sources at a rate of 100% by 2045, a large consumer population, high electricity consumption and a high electricity tariff. In accordance with California publications, to date, solar Systems have been installed totaling approximately 33 gigawatts, of which approximately 3.9 gigawatts have been installed in 2020, with solar power supplying approximately 25% of the state's energy consumption ⁷³ .



In this regard, it should be noted that in recent months, the California Public Utilities Commission has discussed changes to the existing regulation allowing the sale of electricity produced from a solar System to consumers at the place of consumption, (Net Energy Metering 3.0), whereby it has been proposed to reduce the rate for electricity produced from solar Systems in order to produce a more equitable distribution of electricity costs in the country between consumers with access to solar energy, and lower-income consumers who do not have access to solar energy. According to the publications, the new programme will offer benefits for the use of a storage System for the solar System. This proposal led to opposition from consumers and entrepreneurs in the solar energy sector in California who argued that the new program was likely to significantly impair the economic viability of the construction of solar Systems and hamper the further development of the local industry. As of the date of publication of the report, the Commission has decided to postpone the vote on adopting the new plan for an indefinite period of time ⁷⁴ . In this regard, it should be noted that Blue Sky was preparing for the adoption of the new program through the submission of connection requests to the local electricity network (Interconnection Application) for dozens of Projects in California, which according to the estimates, will afford it the possibility of choice through either the existing program (Net Energy Metering 2.0) or the new program (Net Energy Metering 3.0) should it be approved.

⁷³ <https://www.seia.org/sites/default/files/2021-12/California%20Solar-Factsheet-2021-Q4.pdf>

⁷⁴ <https://pv-magazine-usa.com/2022/02/04/california-nem-3-0-delayed-indefinitely/>

Renewable Energy Market in Spain

The first significant increase in the power of solar Systems installed in Spain occurred in 2007 and 2008, from approximately 512 megawatts in 2007 to 2,718 megawatts in 2008, mainly thanks to feed-in tariffs, which involved government subsidies ⁷⁵ .

Since September 2008, government policy in Spain has gradually changed, with the aim of curbing government spending. The change of policy caused, among other things, a change in the outcomes of the constructed solar Systems.

As a result, from 2013 to 2016 there was a stagnation in the solar energy market in Spain ⁷⁵ .

In 2017, there was a change in government policy, following the understanding that continued stagnation would cause non-compliance with the renewable energy promotion goals. Accordingly, governance policies have changed to encourage the construction of Systems for the use of renewable energies. According to the estimates, the policy change, as well as the decrease in construction costs, contributed to the development of the market and the entry of entrepreneurs, investors and construction companies (EPC) ⁷⁵ .

As a result, in 2019, there was an increase of approximately 4,213 megawatts in the installed Capacity of photovoltaic Systems, from approximately 4,700 megawatts to approximately 8,913 megawatts (approximately 8.1% of the total installed Capacity in Spain at the end of

This trend has also continued in recent years, so as of the end of 2021, the installed Capacity in Spain stands at 113.6 GW, of which about 15.4 MW photovoltaic production (14%), 28.6 MW wind production (25%) ⁷⁵ .

During the years 2020 and 2021 the volume of production from renewable energies continued to rise and reached 44% of the total production in Spain ⁷⁶ in 2020 and 47% in 2021. Also, the volume of production from photovoltaic Systems accounted for 6.1% of the total electricity produced during this period in Spain in 2020 and 10% in 2021 ⁷⁷ .

⁷⁵ <https://www.ree.es/en/datos/generation/installed-Capacity> . Spain 2020: the road ahead for solar.

⁷⁶ https://www.ree.es/sites/default/files/publication/2021/07/downloadable/inf_renov_ree_2020EN.pdf

⁷⁷ <https://www.enerdata.net/publications/daily-energy-news/renewables-accounted-47-spains-power-generation-2021.html>

Regulatory Environment in Spain - Government Goals for the Transition to Renewable Energy

In 2019, the European Union completed an update of the "Clean energy for all Europeans" energy policy which set out the European regulatory framework needed to achieve the greenhouse gas emission reduction targets under the Paris Agreement. As part of the policy update, Renewable Energy Directive 2018/2001/EU was approved, in which a target for the production of electricity from renewable energies was set at 32% of the total volume of electricity production by 2030. In December 2019, the European Commission presented an action plan (European Green Deal), which includes a range of policy initiatives aimed at making Europe free of greenhouse gases by 2050 ⁷⁵ .

In line with European Union policy, the Spanish administration is also promoting a program to increase the scope for the use of renewable energies. To meet the energy and climate targets set by Spain as part of its commitments to the EU, in 2019 the MITECO (Ministry of Ecological Transition) introduced the National Energy and Climate Plan for 2021-2030, which aims to meet the following targets by 2030: a 23% reduction in greenhouse gas emissions compared to 1990, a 42% consumption of renewable energy out of the total energy consumed, and production of 74% of electric energy using renewable energy sources ⁷⁵ .

In accordance with the Spanish National Energy and Climate Plan, the target by 2030 is for the installed Capacity of solar power generation Systems to provide electricity with a Capacity of 37 thousand megawatts out of 157 thousand megawatts (i.e. approximately 24% of the total Capacity, alongside approximately 32% installed Capacity of wind Systems) ⁷⁸ .

In order to meet its objectives, the Spanish Government allows producers to sell electricity to the grid at market prices, within the framework of the general regulation of the electricity market.

Budgetarily, in September 2020, the IDAE (Institute for Energy Diversification and Savings) approved an allocation of 181 million EUR to support renewable energy Projects. This subsidy is part of a package of EUR 316 million of aid to be injected by the MITECO into Projects in the renewable energy sector in order to achieve the objectives set by Spain in this matter ⁷⁹ .

In September 2021 and October ⁸⁰ 2021, following a dramatic increase in the prices of natural gas and electricity, the Spanish government amended the Royal Decree ⁸¹ which requires electricity producers from sources that do not emit greenhouse gases to return part of the electricity revenues

⁷⁸ <https://www.evwind.es/2019/08/28/request-to-connect-30556-mw-of-wind-power-in-spain/70529> .

⁷⁹ <https://www.idae.es/en/node/14631> ; <https://www.idae.es/en/node/14672> .

⁸⁰ <https://www.cuatrecasas.com/en/latam/article/spain-urgent-measures-on-energy-royal-decree-law-23-2021> .

⁸¹ <https://www.fieldfisher.com/en/insights/spain-s-royal-decree-law-17-2021-on-natural-gas-pr> .

received by them, according to a formula that weights the effect of the price obtained from gas prices in the market.

[Electricity market structure in Spain](#)

The sale of electricity is carried out by virtue of agreements for the sale of electricity (PPA) or as part of a competitive market for electricity trading (Electricity Exchange), managed by OMI-Polo Espanol S.A., under which private electricity producers are entitled to sell the electricity produced by them. The sale of electricity on The Stock Exchange is carried out through a "broker" (who charges a commission at a rate of about 0.3-0.8 Euro cent per MWh).

Generally, electricity prices as part of the electricity exchange are higher than the selling prices set under the PPA agreements. In addition, producers who choose to trade electricity and sell it on The Stock Exchange are not entitled to receive various state subsidies such as the "feed-in tariff". Accordingly, the risk regarding the change of regulation for these manufacturers is relatively low. On the other hand, market prices change daily, there is a high variation in electricity prices in the winter months (due to the impact of weather conditions on the production of electricity in renewable energies (especially hydro and wind)), and there is uncertainty about their price in the future, resulting from changes in the supply and demand of electricity and the prices of fuels, which are difficult to predict over long periods.

The most dominant companies in the Spanish electricity market today are mainly local companies. The three main entities in the field of production and distribution are: Endesa, Iberdrola and Naturgy, which together hold more than 50% of the production Capacity and 80% of the distribution network. Two other prominent companies are Viesgo and EDP. In addition, there are about 200 small local companies engaged in electricity trading.

The electricity sector is dominated by a monopoly - Red Eléctrica de España (REE), a company held 80% by the public and 20% by the Spanish government, which has been entrusted with the planning and execution of investments to build the national electricity transmission System.

In the Company's view, the main factors that may affect electricity prices in Spain in the years to come are: the entry of new renewable energy Projects, and especially the entry rate of solar Projects that may cause erosion in electricity rates sold by solar power producers during the operating hours of these Systems, a change in the demand for electricity, the scrapping rate of coal and nuclear plants that lowers the power supply and contributes to raising electricity prices, the weather (extreme heat and cold conditions that increase electricity consumption) and the rate of rainfall precipitation that increases the production by hydroelectric technology. In addition, changes in the prices of fuels, especially natural gas and diesel, may affect the costs of electricity generation at power plants based

on fossil fuels.

The renewable energy market in Italy

To the best of the Company's knowledge, Italy is characterized by a developed electricity market and a multiplicity of energy generation sources, including electricity generation using natural gas, hydro-electric installations, renewable energies and coal. In addition, the country enjoys relatively high levels of solar radiation (mainly in the center and south of the country) and favourable surface conditions for the installation of solar energy generation Systems.

Italy's installed production Capacity for 2021 is estimated at 116.3 gigawatts ⁸², and the annual consumption of electricity in Italy in 2021 was estimated at 278 terawatts ⁸³, with some of it imported from EU Member States located in close proximity to Italy.

By 2008, the installed Capacity of photovoltaic Systems in Italy was less than 100 megawatts. Over the next few years, there was an acceleration in the rate of increase of installed Capacity, which reached more than 3,000 megawatts in 2010. The year 2011 was a growth year in the solar energy sector, during which the largest growth in installed power was recorded, with an increase of over 9 gigawatts ⁸⁴, which was four times the amount of electricity provided in 2010. Further, between 2011-2012, there was an increase of 75% in the amount of electricity produced in Italy by photovoltaic Systems, as in 2012 the installed Capacity in Italy reached over 16 gigawatts ⁸⁵. Since 2011, the Italian government has taken steps that have resulted in a negative impact on investments in solar Systems. In 2014, an order was approved which reduced the feed-in tariff for electricity produced for commercial operation Systems as well, during 2014, due to the heavy consumption generated from an increasing volume of tariff subsidies, a certain tariff reduction was carried out, which resulted in a significant slowdown in the scope of installing solar Systems. In 2015, Italy signed the "Paris Agreement" and in 2016 returned to the formulation of plans to reduce greenhouse gas emissions and the rate of energy Systems. In 2017, Italy's National Energy Strategy 2017 was approved, which aims to detect and manage changes in the energy sector. The plan included, among other things, goals regarding the energy mix in 2023. As part of the implementation of the lessons of the past, following the recognition of the importance of the transition to renewable energy, in order to meet the renewable energies targets set under the National Energy Plan from 2017 and the commitments assumed by Italy, new renewables incentive procedures were instituted, in the form of differential agreements ("Contract for Differences").

⁸² <https://www.terna.it/en/electric-System/transparency-report/installed-Capacity>.

⁸³ <https://www.terna.it/en/electric-System/transparency-report/actual-generation>.

⁸⁴ <https://www.iea.org/articles/renewables-2020-data-explorer?mode=market®ion=Italy&product=PV>.

⁸⁵ <https://iris.polito.it/retrieve/handle/11583/2602370/64878/SolarEstimateBCAM.pdf>.

Regulatory environment in Italy - supporting objectives and incentives driving the market

In 2015, the Government of Italy signed the Paris Agreement, and in 2017, the Government of Italy published the National Energy Strategy 2017 (21122752372), in which it undertook, inter alia, to stop the use of coal for electricity production by 2025, and to raise the proportion of electricity generated from renewable energies by 2030 to 28% of total energy consumption and 55% of total electricity consumption.⁸⁶

In June 2019, the European Commission approved a plan to support the production of electricity from renewable sources in Italy by 2021, for a budget of up to €5.4 billion. The aim of the programme is, therefore, to help Italy meet the objectives it has set for the production of electricity from renewable energies. According to the plan, renewable energy Projects that meet certain criteria will receive support in the form of a market price premium⁸⁷.

In the fourth quarter of 2019, the Italian government set concrete targets for renewable energies, including, inter alia, reaching an installed Capacity of GW 50 from solar energy and GW 18 from wind energy by 2030⁸⁸.

As part of the implementation of the Italian government's plan to meet the objectives of renewable energies, the Italian Electricity Services Directorate has published a series of tenders for the sale of electricity, designed to promote the construction of electricity generation Systems from renewable energies with a Capacity of 7,700 megawatts, of which approximately 1,570 megawatts have been allocated to tenders for solar Systems on roofs and power generation Facilities using wind energy, with a production Capacity of up to 1 megawatts. In accordance with the terms of the tender, the winners of the tenders will sell electricity produced in the Systems subject to winning the maximum rate of 85.5 to 102 EUR per 1 MWh, guaranteed for a period of 20 years. To the best of the Company's knowledge, more than 1,000 megawatts of the power allocated for the tenders has not yet been allocated, and it is expected to go to additional tenders. However, there may be a change in the tender procedure used for these Projects, starting in the second half of 2022. The change could focus on the manner of obtaining quotas as part of this Regulation, including the change of the tender aspect, the submission process and the maximum prices.

According to publications, in 2021, Systems with a total power of approximately 937 megawatts were established in Italy, compared to 625 megawatts in 2020 and 737 megawatts in 2019. Of the

⁸⁶ <https://www.mise.gov.it/index.php/en/news/2037432-national-energy-strategy>.

⁸⁷ https://ec.europa.eu/commission/presscorner/detail/en/IP_19_3000.

⁸⁸ Integrated National Energy and Climate Plan - December 2019.

photovoltaic power established in 2021 approximately 635 megawatts of Systems with a power of below 200 kilowatts, and approximately 101 megawatts of ground Systems (Utility Scale) ⁸⁹ .

UK Renewable Energy Market

To the best of the Company's knowledge, the UK's renewable energy market is in continuous growth, with the aim of reducing the use of fossil fuels including coal and natural gas. The UK government's policy includes clear targets to reduce emissions - including Net Zero Emissions by 2050, reducing pollutant emissions by 68% by 2030, by 78% by 2035 ⁹⁰ and by 80% by 2050 (relative to 1990), this by increasing the installed Capacity of renewable energies and increasing electricity production from renewable energies.

As of the end of 2020, the installed Capacity in the UK stood at approximately 75.8 gigawatts, of which approximately 7% is coal production, approximately 46% is natural gas turbines, approximately 11% is nuclear, approximately 3% is solar, approximately 8% is land wind and approximately 4.5% is marine wind ⁹¹ . In 2020, the UK also produced approximately 310 gigawatts of electricity and consumed approximately 330 gigawatts (net imports of approximately 20 gigawatts), of which approximately 134 gigawatts were produced from renewable sources ⁹² , including hydro and bioenergy. According to estimates ⁹³ , in 2030 the percentage of installed solar Capacity in the UK is expected to reach approximately 17% of the total installed Capacity, production in marine wind to approximately 24% and production in land wind to approximately 15%.

Currently, the UK government is encouraging reduced carbon power generation by the Contracts for Difference (CfD) ⁹⁴ series. In accordance with the aforementioned policy, the National Grid and Power Grid issues tenders, from time to time, to set a target price for production by renewable energies. As part of the tender, the producer submits in a confidential manner the target price it wishes to receive and the Capacity for which it wishes to receive it. The proposed target price must meet the pre-determined ceiling for all Participants.

After winning the tender, a government company known as the Low Carbon Contracts Company enters into a CfD contract with the producer, which entitles the producer to a fixed price for a period of 15 years. The producer sells electricity on The Stock Exchange and is entitled to receive compensation

⁸⁹ <https://www.pv-magazine.com/2022/03/09/italy-installed-937mw-of-solar-431mwh-of-storage-in-2021/#:~:text=Italy%20installed%20around%20937MW%20of,%2C%20369MW%20and%20305MW%2C%20respectively.>

⁹⁰ <https://www.gov.uk/government/news/uk-enshrines-new-target-joy-to-slash-emissions-by-78-by-2035> .

⁹¹ <https://www.gov.uk/government/statistics/electricity-chapter-5-digest-of-united-kingdom-energy-statistics-dukes>.

⁹² <https://www.gov.uk/government/statistics/renewable-sources-of-energy-chapter-6-digest-of-united-kingdom-energy-statistics-dukes>.

⁹³ Based on information provided to the Company from an external consulting firm.

⁹⁴ <https://www.gov.uk/government/publications/contracts-for-difference/contract-for-difference> .

in the value of the difference between the price in the contract (Strike Price) and the market price, and if the market price is higher, it must return the difference to the government company as above.

As stated above, use of renewable energy is characterized by volatility in the power supply, resulting from changes and volatility in weather conditions. One of the flexible energy supply Facilities is a battery electricity storage Project. To the best of the Company's knowledge, the battery Projects allow backup to power supply during hours when renewable energy Systems are not operational (or partially operational), thus ensuring a stable supply of electricity in accordance with market requirements, enabling stabilization of the power supply, during times when there is a temporary decrease in the electricity supply and also enabling the provision of System services to the transmission System - including frequency stabilization and responding to additional events of impairment of the power supply or its stability.

In the Company's view, the battery Projects are an enabling factor ("enabler") for renewable energy Projects, hence their importance. Furthermore, according to the National Grid, battery Projects are a necessary factor for replacing fossil fuels with renewable energies ⁹⁵.

To the best of the Company's knowledge, as of the date of the report, the British battery market amounts to approximately 1.75 gigawatts of battery Facilities, and according to the National Grid, it is expected to grow to approximately 7-15 gigawatts by 2030 and to approximately 20-40 gigawatts by 2050 ⁹⁶.

Revenues from battery Projects in the UK include several types of potential revenues, as follows: (1) sale and purchase of electricity at Wholesale Markets, the Day Ahead and Intraday markets, in which electricity is purchased and sold, with battery Projects aiming to purchase electricity at lower prices and sell at higher prices, utilizing price gaps, as much as possible; (2) revenue from a balancing mechanism, as part of which the System manager balances supply and demand at the time before the power consumption window; (3) Ancillary Services in which the battery Projects provide System services to the grid, including frequency stabilizing, assisting with default and pre-default events, and more; (4) Capacity Payments; and (5) network payments / revenues.

It should be further noted that the management of the power purchase and sale System in the battery Projects is usually carried out through Route to Market Providers (RTM), which are market entities that possess knowledge, experience and dedicated software for the effective management of the Systems, with an emphasis on optimizing the purchase and sale of electricity, and are entitled to

⁹⁵ <https://www.nationalgrid.com/stories/energy-explained/what-is-battery-storage> ; "Battery storage technologies are essential to speeding up the replacement of fossil fuels with renewable energy. Battery storage Systems will play an increasingly pivotal role between green energy supplies and responding to electricity demands."

⁹⁶ <https://www.nationalgrideso.com/document/202851/download> .

management fees derived from the volume of revenues from the sale of electricity. The arrangement with the RTM can include a price floor for income from the battery Projects, in accordance with the commercial terms to be agreed with the RTM.

Renewable Energy Market in Poland⁹⁷

As of 2021, energy production Capacity in Poland amounted to 54 gigawatts, with coal accounting for 53%, renewable energy costs about 23% and natural gas about 5% of installed production Capacity. The installed production Capacity of renewable energies is 12.2 gigawatts, of which 7.2 gigawatts of land wind Projects and 5 gigawatts of solar installations. The electricity production mix in Poland, estimated at 160 terawatts per hour for 2021, consists of about 66% coal, about 13% renewable and about 8% natural gas.

In February 2021, the Polish government adopted a strategic plan for energy policy for 2040 (the Polish Energy Policy 2040, or PEP2040), in which it was agreed that by 2030 the share of coal in electricity production will be reduced to 56%, emissions will be reduced by 30% and the rate of renewable energies in electricity production will be at least 23%, this alongside the construction of marine power generation Facilities from wind and increased production Capacity from nuclear energy. In order to meet the objectives of reducing coal use, the Government of Poland has undertaken that all coal mines in the country are to be closed by 2049.

According to estimates, the renewable energy market in Poland is expected to grow substantially in the coming years, among other things, in order to meet the policy targets that have been set. Thus, according to an external consulting firm, the construction of about 12 gigawatts of electricity generation Facilities from renewable energy (solar and wind) by 2025 and about 26 gigawatts by 2030 (compared to the situation today) is expected, with approximately 11 gigawatts of solar Facilities, approximately 10 gigawatts of land-based wind electricity generation Facilities, and the rest being marine wind electricity generation Facilities. In addition, according to estimates, electricity generation from renewable energies (without hydro) is expected to stand at about 26% in 2025 and about 45% in 2030. This compared to about 13% of electricity being generated from renewable energies in 2021.

Electricity in Poland is sold through the TGE exchange, in future contract markets, day ahead and intraday, while renewable energy can also be sold through bilateral agreements. For onshore and offshore PV manufacturers, there is a regime of flat-rate CfD (contracts for difference) determined by a competitive procedure, in which the producer sells the electricity in the electricity markets but is entitled to receive supplementation / is required to pay back its revenues in a manner that generates the price set in the CfD.

⁹⁷ Based on information provided to the Company from an international consulting firm.

Energy market in Romania

As of 2021, energy production Capacity in Romania amounted to 21 gigawatts, with hydro accounting for approximately 36% of the total installed Capacity, coal accounting for approximately 17%, natural gas approximately 15%, and nuclear approximately 7% of the installed production Capacity. Installed production Capacity in renewable energies stands at approximately 4.4 gigawatts, of which approximately 1.4 gigawatts are of solar installations ⁹⁸.

Following on from ongoing talks with the EU, the Romanian government has committed under the National Energy and Climate Plan (NECP) ⁹⁹ to a target of 30.7% power generation from renewable sources by 2030, a target that is significantly different from the volume of electricity generation from renewable energies today. Hence, it will be necessary to establish a considerable new production Capacity from renewable energies.

According to estimates, the construction of about 6 gigawatts of electricity generation Facilities from renewable energy (solar and wind) is expected by 2030 in order to meet this goal, with the Capacity of the installed solar production Capacity is expected to increase from about 1.3 gigawatts in 2021 to about 5.4 gigawatts in 2030 - an increase of 4,100 megawatts in about 10 years.

As the Company is aware, there is currently no special regulation in Romania for encouraging the construction of renewable energy Projects, but a subsidies regime is being discussed, using the CfD contracts method which Projects would be awarded following a competitive procedure. Details of the program have not yet been published.

Regarding bilateral agreements for the sale of electricity - In May 2020, the Government Emergency Ordinance no. 74/2020 came into force, allowing new renewable energy Projects to enter into PPA agreements for the sale of electricity from the Project ¹⁰⁰. The amendment has not yet been approved by Parliament. In addition, the installation of secondary regulations in this regard has not yet been completed.

3.3.1.3 Structure of field of activity

As stated above, within the scope of the activity, the local Group Companies are working to locate Projects or potential lands, engineering and economic feasibility tests, entering into lease agreements, acquiring the rights in the Project Company or acquiring the Project's land, and obtaining the approvals required for the construction of the Projects (connection approval, environmental approvals, building

⁹⁸ ANRE, Romanian Energy Authority. <https://www.anre.ro/ro/energie-electrica/rapoarte/puterea-instalata-in-capacitatiile-de-productie-energie-electrica>.

⁹⁹ https://ec.europa.eu/energy/sites/default/files/documents/ro_final_necp_main_en.pdf.

¹⁰⁰ Renew Romania (2021) Report, Schoenherr Attorneys at Law.

permits, obtaining government benefits, registering for the relevant Regulations, entering into PPA agreements, etc.). Once all the necessary approvals have been obtained, the Project companies engage a construction contractor, who is responsible for the construction and sometimes the maintenance of the Project. In addition, as part of its ongoing activities, after the construction of the Project, Blue Sky also takes engages with the Lessees in the buildings on which the Systems are established in agreements for selling the electricity produced in the Systems and collect these payments from the various Lessees.

3.3.1.4 Systems Held by the Group in the Field of Activity

For details regarding the Group's Systems in the field of activity, see section 1.4 of the Board of Directors' report.

3.3.1.5 Limitations, legislation, standardization and special constraints applicable to the field of activity

The construction of a solar power System involves administrative authorizations and approvals, including:

- Approvals in connection with access and connection of the System to the electricity network - connection permit, approval of guarantee deposit and sometimes also engagement in a connection agreement, which includes conditions and deadlines for making the connection.
- Regulatory permissions - including approvals by various regulators and government ministries, the initiation of environmental works, etc.
- Statutory permits (including municipal) - including permits related to land use and their suitability for zoning, building permits, environmental permits and permits related to historical and archaeological implications and environmental implications of the construction of the System.
- In addition, in some countries there is the possibility to enter into PPA electricity sales agreements, in some there is a supportive regulatory framework that ensures a guaranteed rate for a certain period (such as GSE tenders) and in some the sale of electricity is carried out on the local electricity exchange.

Blue Sky activities are subject to federal and state regulation (where state regulation differs by state). Below is an overview of these laws as well as a focus on a number of significant laws and/or regulations.

- At the federal level, monitoring of electricity prices in the United States is carried out by the Federal Energy Regulatory Commission. FERC is composed of five commissioners who are nominated by the U.S. president and confirmed by the U.S. Senate and operates according to the Federal Power Act. As part of its powers, the FERC may make adjustments to the electricity prices offered by energy producers if it recognizes that the price offered is not in keeping with market

conditions and may lead to harm to the public interest.

- At the state level, each state is responsible for ensuring complementarity between the available sources of energy production in that state, and the expected energy demand. Each state pursues a different policy with a view to meeting this commitment. Some of them do so through regulation of both energy sources and energy tariffs (Regulated Market) and others implement competitive market policies without intervention. In the regulated states, there are usually local infrastructure commissions (Utility Public Commission) which are responsible for supervising local electricity companies (Utilities) and, among other things, these local infrastructure commissions set renewable energy source targets for local electricity companies.
- Electricity generation in the United States, is carried out by regional electricity networks (Regional Transmission Organization) as well as independent power System operating entities (Independent System Operator – ISO) which are responsible for the management, operation, and control of the electricity networks in the various regions in which they operate, by virtue of the approval of the FERC - and under its supervision. It should be clarified that unlike Israel, in the United States there are a large number of electricity companies in every state, which set rules and regulations as a condition for connecting the Systems and regarding electricity tariffs (for example, in California, one of the electricity companies changed the peak hours to 4 p.m. to 9 p.m. during the years 2020-2021, a change that led to a decrease in Blue Sky revenues, and following this, Blue Sky is preparing to implement energy storage Systems that will help cope with this change in tariffs).
- Tax Benefits - The federal government has adopted various tax benefit programs over the last few years in favor of encouraging investment and developing the renewable energy sector. Among the notable benefits are the tax benefit for encouraging the production of wind energy (the "Production Tax Credit") and the tax benefit for encouraging the solar energy sector, the Investment Tax Credit ("ITC"). As stated above, the Investment Tax Credit, first launched in 2006 by the federal government, allows the developer of the solar System (domestic or commercial) to offset part of the amount of its investment in the solar System (Dollar for Dollar) against the federal income tax it is required to pay. Alternatively, and as is customary in the renewable energies industry in the United States, there is a possibility of establishing a partnership with a third party investor who can effectively and optimally realize the federal tax benefit in exchange for investing in the **Project (hereinafter: the Tax Partner)**.
- Engagement with a Tax Partner can take place according to a number of models, with the model currently implemented by Blue Sky being the Partnership Flip model. According to this structure, the Tax Partner invests in the Project close to the date of its commercial operation at a rate of up to 50% of the Project's construction costs and in return is entitled to most of the tax benefits

(99%) generated by virtue of the Project, as well as an agreed return (Preferred Return) of an agreed amount determined between the parties. After a defined period, usually between 5 and 7 years from the date of commencement of the Project, a reversal is made in the parties' holdings, so that the Tax Partner holds a lower rate of the rights in the Company and the tax benefits and the rest is held by the developer, with the developer also having the option to purchase the Tax Partner's in the Project at the end of this period.

- **The tax benefit is provided on a one-time basis, on the basis of the actual cost invested, subject to the criteria defined in the legislation. As of the date of publication of this report, the proportion of ITC for Projects whose construction began in 2021-2022 will be eligible for 26% of the cost invested, solar Projects whose construction will begin by 2023 will be eligible for ITC at a rate of 22% and Projects whose construction will begin by 2024 will be eligible for ITC at a rate of 10%. As stated above, the Biden administration is exploring the possibility of extending the ITC benefit (as done previously) as well as options for providing additional tax benefits to further encourage the development of the solar energy industry.**

3.3.1.6 **Changes in the scale of activity in the field and its profitability**

The company's operations in the field of activity began, as stated, in the third quarter of 2021. Following the acquisition of holdings in Blue Sky, and the acquisition and development of the various Projects across Europe and the introduction and construction of new platforms, the Company estimates that in the coming years, there will be a significant increase in the scope of the field of activity.

It should be emphasized that estimates regarding the increase in the scopes of the field of activity constitute forward-looking statements, as this term is defined in the Securities Law, that is dependent upon factors that are not under the Company's control, and in particular continued development of Projects by the various platforms worldwide, the fulfillment of the conditions prescribed in the agreements regarding the conditions for their acquisition, the parties' compliance with these agreements, obtaining the approvals required for the construction of the Projects, obtaining the financing required for their construction as well as the non-existence of one or more of the risk factors set out in Section 4.13 below.

3.3.1.7 **Technological changes that may materially impact the field of activity**

See Sections 2.2.7 and 3.1.1.5 above.

3.3.1.8 Critical success factors in the field of activity and the changes occurring in them

See Section 3.1.1.5 above. In addition to the success factors set out in Section 3.1.1.5, the Company estimates that additional critical success factors in the field of activity are:

- The creation of long-term relationships with local entrepreneurs with proven ability in locating Projects in various stages of development with financial viability and engineering and environmental feasibility, enabling the setting up of renewable energy-based Systems.
- Expertise, permitting the initiation, planning and supervision over the construction of Projects, including the construction of infrastructures connecting the Projects to the electricity network, that assist the correct and economic planning of the Projects, so as to permit the party holding them, on the one hand - to be competitive, and on the other hand - to ascertain that the Projects will be profitable.
- The creation of long-term relationships and cooperations with leading contractors in the field of the construction and maintenance of large scale ground-mounted Projects with financial strength and proven abilities to comply with schedules.
- Regarding the activities of Blue Sky and Sunprime - establishing long-term strategic relationships with real estate companies with commercial assets on which solar Systems may be constructed;
- Regarding Blue Sky activity - establishing relationships with companies with high tax liability for the purpose of engaging with them and introducing them as Tax Partners in various Projects, knowledge and familiarity with local regulation in each of the states in which it is active within the United States, and a collection and recruitment System for tenants (Tenant Acquisition) required to collect the electricity bills from the tenants, and on the other hand, an active customer service System for recruiting new tenants and providing customer service to existing tenants.
- Ability and experience of managing offshore investments outside Israel and the creation of relationships allowing ongoing supervision of the activity of the Project Corporation, and dealing with challenges, insofar as they arise.

3.3.1.9 The main entry and exit barriers of the field of activity

See paragraph 3.1.1.5 above, in the mutatis mutandis. In addition to the entry and exit barriers set out in Section 3.1.1.6 the Company estimates that additional entry and exit barriers that are typical of the field of activity and/or have special characteristics for activity abroad are:

Entry Barriers

- The creation of relationships with local entrepreneurs with proven ability in locating and promoting business opportunities.

- The ability to locate Projects in various stages of development with high feasibility, paying attention to the whole range of constraints and regulatory, planning and engineering conditions, including accessibility/ability to connect to the electricity network.
- Recognition and expertise in the unique local regulation in each country, including in relation to the various constraints applicable to the field of activity and the ability to withstand them, swiftly and effectively outside the State of Israel.
- Technical, engineering, regulatory and legal knowledge and experience relating to the fields of activity and initiation, construction and management of renewable energy Projects – including solar Projects and storage Projects.
- And regarding Blue Sky activities, access to Tax Partners (Entities with high tax liability who would be interested in being integrated as Tax Partners in solar Projects) and the establishment of an operating and service System for tenants, responsible for collection, operation and provision of customer service to tenants in the commercial centers where it has established and is operating solar Systems.

Exit barriers

Engagement in substantive agreements for the construction and financing of renewable energy Systems and their long term maintenance and operation, that entail the consent of service providers to the assignment of the rights and obligations to the recipient of the service.

3.3.1.10 Alternatives to the products in the field of activity and the changes occurring in them

See Section 3.1.1.8 above.

3.3.1.11 The competition structure in the field of activity and the changes occurring in it

See Section 3.3.1.2 above.

3.3.2 Products and services

As stated above, within the framework of the field of activity, the Group is focused on initiating, developing, financing, establishing and maintaining solar, wind and storage Systems. See Section 3.3.1.4 for details.

It should be noted that unlike the other Projects promoted in the field of activity, Blue Sky's revenues in the field of activity include three main types of revenues:

- a) Revenues from the sale of electricity - to tenants in the commercial centers (" **Tenants** "). Often at tariffs based on retail rates minus a certain discount. It should be noted that the electricity produced in the solar Systems is not consumed directly by the tenants. Blue Sky works directly with local electricity companies to set with them the relative electricity consumption of the tenants, according to the average monthly consumption of these tenants, and according to the solar System's output, the electricity company "credits" the monthly electricity bill of the tenants. At the same time, Blue Sky issues a monthly invoice to the tenants in accordance with their relative entitlement to the solar System output, net of an agreed discount rate as set forth in the electricity purchase agreement.
- b) Federal Tax Benefits (Investment Tax Credit) - Benefits that enable the owner of a solar Project, with taxable income in the United States, to enjoy a tax credit of up to 30% of the recognized Project costs in accordance with the tax guidelines set forth in legislation. Alternatively, you can contact a Tax Partner, as described in section 3.3.1.5 above. As noted above, the Blue Sky Group tends to engage with Tax Partners who invest in a special purpose company held by the Tax Partner and Blue Sky. In this regard, it should be noted that Blue Sky has entered into a framework agreement with a third party, according to which said third party will serve as a Tax Partner in Projects to be established by it in the amount of 40 million USD. The agreement includes provisions according to which the Tax Partner will benefit from 99% of the tax benefits resulting from the holding in the Projects until the date set forth in the agreement, after which Blue Sky will benefit from 95% of the tax benefits as stated. The agreement also includes a mechanism for dividing the profits from the Projects, whereby Blue Sky will benefit from 98% of the profits from the Projects during the first 20 years, after which an equitable distribution will be made. In addition, the agreement includes the right to acquire the Tax Partner's rights in the Portfolio Company, on the date, and according to the procedure set forth in the agreement. For further details see the Company's immediate disclosure dated December 1, 2021 (reference no. 2021-01-174921), which is incorporated in this report by reference thereto.
- c) Revenues from the sale of green certificates (Renewable Energy Credits) - These are certificates issued to the Project owners for each kilowatt hour produced in the Project. These certificates can be

sold to third parties, enable the electricity suppliers to meet the goals of generating electricity from renewable energy without the need to generate or purchase electricity from renewable energy, and constitute an additional source of income for the Project owners. It should be noted that as of the date of the report, revenues from the sale of the Blue Sky Certificate and green certificates are not material.

3.3.3 Competition

- 3.3.3.1 For particulars about the market structure and competition see Section 3.3.1.2 above.
- 3.3.3.2 In the Company's view, the renewable energy sector, which is currently experiencing an upward trend in Europe and the United States, is a very competitive sector, that owing to government encouragement, a decrease in construction costs, and an increase in the Capacity of the Systems, is characterized by a multiplicity of competitors, which in turn impacts the costs of acquiring Projects in advanced stages and the prospect of obtaining connection approvals.
- 3.3.3.3 The company estimates, noting the scale of potential Projects promoted by the Group's Companies in the various countries, that its share is negligible.

3.3.4 Seasonality

For particulars about the seasonal parameters impacting the production of electricity see Section 0 above. It should be noted that similarly to Israel, the winter months in Europe and the United States, were characterized by a lower output compared to the other months of the year, when as a rule, in the second and third quarters the Systems' output was higher .

3.3.5 Land

For the purpose of construction of the various Projects, the Group's Companies are required to locate designated land or roofs for the construction of the Projects. Some of the Projects are established on land owned by the Project Companies, and for some of them lease agreements are signed for rental periods of between 25 and 30 years, sometimes with an option to extend the agreements for longer periods. In most of the agreements, rent is paid starting from the date on which construction of the Project is commenced, but sometimes at an earlier date. The rent paid in relation to the land is immaterial in relation to the overall costs of the various Projects.

Blue Sky and Sunprime usually engages with building owners in lease agreements or option agreements for the construction and operation of the photovoltaic Systems on the roofs of the buildings they own. In return for the right of lease, Blue Sky and Sunprime undertake to renovate the roof at their own expense (and sometimes replace the asbestos roof with a new roof), set up the System at their own expense, and connect it to the electrical System. In addition, the lease agreements include lease payments to the owners of the building.

3.3.6 Raw materials, equipment and suppliers

The Group Companies usually enter into construction (EPC) and operation (O&M) agreements with the subcontractors of the various Projects (in this section hereinafter: " **Contractor** ").

Below are the main points of the conditions of engagements as included within the framework of the various agreements signed with Contractors as of the date of this report¹⁰¹:

3.3.7 The construction Agreement

- (1) Construction services include all the services and the works required for the purpose of the construction of the Project, until it is connected to the electricity network and the operation of the System, including planning, engineering, procurement of equipment, installation, testing and connection of the System to the electricity network, and the construction of infrastructures for connecting to the electricity network, according to the schedule and milestones set forth in each agreement.
- (2) The consideration for the Construction Services (including the procurement and installation of equipment) is usually determined at a Pauschale price, where most often, the contractual risk for additional costs applies to the Contractor. The proceeds from the construction services are made in several installments in accordance with the milestones set forth in each agreement.
- (3) Usually, the Contractor is obliged to purchase insurance for all the risks involved in the execution of the construction works, including construction equipment insurance, equipment transportation insurance, product liability insurance, as well as additional insurances in which the Contractor is obliged by law and/or which will be required by the Corporation.
- (4) Most of the agreements include a commitment to pay liquidated damages by the Contractor, in the amounts set forth in each agreement, for delay in complying with the schedule set forth in the agreement regarding the date of commercial operation and for failure to meet the System's Capacity required during the rectification period set forth in the agreement (usually between one and two years).
- (5) Alongside the manufacturer's liability in respect of the equipment, the Contractor undertakes to grant a warranty for the quality of the construction works (inspection liability) most often for periods of between one and two years. Most of the agreements include a commitment by the Contractor to provide guarantees for securing its obligations (performance guarantee, advance payment guarantee, quality guarantee and sometimes a parent company guarantee), as well as

¹⁰¹ The provisions listed below include the main provisions applicable to most transactions. Naturally, there is a certain difference between the different agreements.

a limitation of liability on the parties for violations and damages caused to the other party, usually to a total of not exceeding the contractual consideration.

- (6) Most of the agreements stipulate that the agreement may be revoked by the Project Company, inter alia, in the event of material breaches, failure to comply with the guaranteed schedules, failure to comply with the minimum performances of the System, reaching the agreed compensation ceilings/the contractor's liability ceiling, and lack of validity of the main Contractor's guarantee to cancel the agreement due to non-payment of a non-controversial debt.

3.3.7.1 The Operation Agreement

At the same time as signing the Construction Agreement, the Project Company is required to enter into an operating and maintenance agreement in relation to the Project which is the subject of the Construction Agreement with the Construction Contractor or a related corporation for a period which usually does not exceed five years. Below are the main terms of the Operating Agreement ¹⁰² :

- (1) Within the framework of the Operation Agreement, the Contractor undertakes to supply performance monitoring and maintenance services for the System it is due to construct. These services comprise preventive maintenance and corrective maintenance. Within this framework the Contractor is liable for all the costs involved in the provision of the service and the replacement of the defective parts of the System, including realization of the contractor's liability within the framework of the Quality Warranty Period pursuant to the above Construction Agreement, and also for taking out all the insurances required for covering liability in respect of the provision of services.
- (2) The Contractor is responsible for ensuring that the availability of the System, and the infrastructure and the output of the System during the course of the Operation Agreement period are at an agreed rate which is determined between the parties. Most often failure to comply with the availability and performances as aforesaid shall entitle the Project Company to liquidated damages in the amounts specified in the agreements.
- (3) In some of the agreements the Contractor's obligations under the operation agreement are guaranteed by a performance bond in the sum agreed between the parties.
- (4) The scale of the liability of any of the parties to the Operation Agreement in respect of breaches and/or damages that may be caused by it to the other party does not exceed, as a rule, the annual Operation Agreement consideration.

¹⁰² The provisions listed below include the main provisions applicable to most transactions. Naturally, there is a certain difference between the different agreements.

- (5) The agreement may be revoked by the Project Company, inter alia, in the event of material breaches, and reaching the agreed compensation ceilings following failure to maintain the availability of the System and the infrastructure, as applicable, and failure to maintain System operations during each year of engagement in the Operating Agreement.

It should be noted that at the time of the report, the construction and operation of Blue Sky Systems is carried out through a company controlled by one of the owners of Blue Sky. Following the expected increase in the scope of its activities, as of the date of the report Blue Sky is working to locate and contract additional construction contractors.



4. Part four - matters concerning the activity of the corporation as a whole

4.1 Fixed assets, land and fixtures

The Company's offices are located in Ad Halom Industrial Zone and Ra 'anana Junction, in the buildings the Company rents by virtue of lease agreements in amounts that are not material to its activity.

The offices of the subsidiaries (Blue Sky in San Francisco, California , Sunprime in Milano -, Italy and Nofar Romaina in Bucharest, Romania), as well as the offices they rent from third parties by virtue of lease agreements in an amount that is immaterial to the Company.

The Systems for the production of electricity owned by the Project Company are located on land (roofs and reservoirs) which is rented, useable by or leased to the Project Companies. Also, as stated above, some of the Project Companies are the owners of the land designated for the construction of the Project. For details, see sections 3.1.10 and 3.3.5 above.

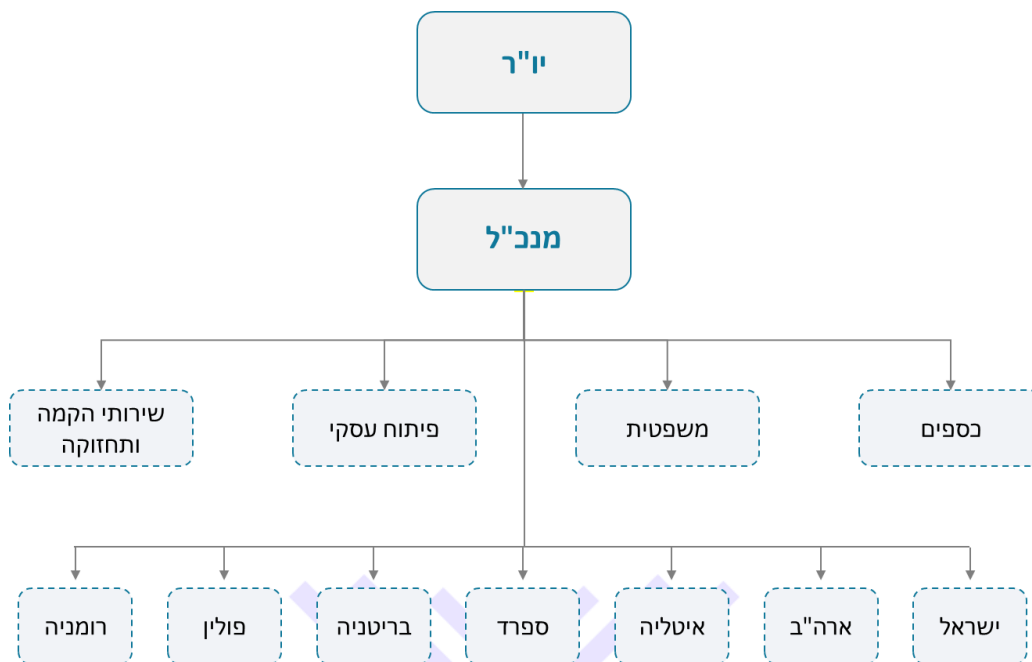
The Company has no substantial fixed assets, excluding the Systems for the production of the electricity that is owned by the Group's Corporations. For particulars see Explanation 11 to the Financial Statements.

Generally, the fixed assets are owned by the Project Corporation, and are under lien to the financing party solely for the duration of the financing period.

4.2 Human capital

4.2.1 Organizational structure

The following is a graph of the organizational structure in the Group:



As of 31 December 2020, 31 December 2021 and as at the date of the report, 49, 138 and 150 employees and officers, respectively, are employed by the Company and by the Group Companies on its behalf. The increase in the number of employees is due to an increase in the scales of the Group's activity.

The Company estimates that it has no substantial dependency on any particular employee or official.

4.2.2 Benefits and the nature of the employment agreements

The conditions of employment of the Company's employees (including all the officials therein) are regulated in personal contracts, that vary from employee to employee, and are determined for each employee in accordance with his or her qualifications, education and position.

The employees' personal agreements regulate the salary conditions (the majority of the employees are employed in fiduciary positions on a global salary, with an additional payment for overtime) and include social security conditions, including contributions to training trusts and funds, provident/pension and severance pay funds, as the case may be, vacation and sickness days, recuperation, and other benefits (such as a company car and laptop computer), a confidentiality and non-competition undertaking during the course of the period of employment, provisions concerning the protection of the Company's intellectual property, as well as the advance notice period (for the

most part as set by law, and occasionally up to 120 days, excluding officials as specified in regulation 21 of Chapter IV - additional details about the corporation).

All the Company's employees are signatories to Section 14 of the Severance Pay Law. Likewise, the Company pays into the employee's funds with effect from the first month of their employment by the Company. Accordingly, the Financial Statements as at 31 December of the years 2018, 2019 and 2020 do not contain an obligation on account of a termination of the employee-employer relationship.

The conditions of employment of the Blue Sky Group's employees are regulated in personal contracts, that vary from employee to employee, and that are determined for each employee in accordance with his or her qualifications, education and position. The employees' personal agreements regulate the salary conditions, the scope of the position, the notice period, as well as an annual bonus subject to meeting personal and departmental targets. The terms of employment include all terms and conditions required by law in the State of California as well as customary fringe benefits.

Bonuses

As a rule, bonuses to employees are paid at the Company's discretion. Nevertheless, some of the Project Development Managers are entitled to a variable payment derived from the output of the Projects they have led and/or the classification of the Company's rights in these Projects.

4.2.3 The conditions of office and employment of officers and senior management employees

The conditions of employment of the employees and officers as set out in detail in Section 4.2.4 above also reflect the conditions of office and employment of the Company's officers and senior management employees, excluding as detailed this section below and in regulation 21 to Chapter IV - additional details about the corporation.

For particulars about the conditions of exemption, indemnity and insurance for the officers in the Company see Regulation 22 to Chapter D - additional details about the corporation.

4.2.4 Capital remuneration

On 10 September 2020 (in parallel to the completion of the Noy Fund's investment in the Company, as set out in Section 4.7.1 below), 51,466 shares of the Company were allotted, which at that time constituted 9.99%, 9.99% and 5.625%, respectively,

from the issued and paid-up share capital of the Company to the Company's CEO, CFO of the Company and VP of Business Development. These Shares are held by the Trustee until 24 months have passed from the date of their allotment.

On July 8, 2021, the Company's Board of Directors approved a plan for employees and officers of the Company, on July 8, 2021 and November 28, 2021, the Board of Directors approved the allocation of

683,824 options by virtue of the plan to employees and officers of the Company and on December 29, 2021 the options were allocated. For details regarding the terms of the options, see the outline published by the Company on July 22, 2021 (reference number 2021-01-056968), which is incorporated in this report by reference thereto.

For particulars about the remuneration policy for the officers in the Company, see Appendix A to Chapter 8 of the Company's Prospectus, which is incorporated in this report by reference thereto.

4.3 - Working capital

4.3.1 General

As of December 31, 2021, the Company has a positive working capital of approximately NIS 1,250 thousand compared to a positive working capital of approximately NIS 667 thousand as of December 31, 2020.

Along with the Company's financial assets and liabilities, operational assets (mainly customers and inventory) and operational liabilities (mainly suppliers and service providers) reflect the Company's activity in the field of construction and operation.

4.3.2 The working capital components of the Group Companies

4.3.2.1 Stock

For details regarding construction and operation equipment inventory and equipment purchasing policy, see section 3.2.9 above.

For details regarding the inventory value calculation method in the Company's financial statements, see Note 8 to the Company's financial statements as of December 31, 2021.

The average inventory days range used for the Company's construction Projects is 21, 35 and 36 days for 2019, 2020 and 2021, respectively.

4.3.2.2 Responsibility towards customers

See Section 3.2.2 above.

4.3.2.3 Customer credit

Customer credit includes mainly the debit balances of the Project Corporations that are affiliated companies of the Company.

In addition, in the field of development and investment in Israel, customer credit includes mainly debit balances for the sale of electricity by the Project Corporations (affiliated companies) for electricity purposes. Whereas most of the Project Corporations in the field of development and investment in

Israel are Affiliated Companies of the Company. This credit is not included in the Company's consolidated working capital.

The Company's financial statements as of December 31, 2020, and December 31, 2021, do not include a provision for doubtful debts.

Terms of client disbursement according to fields of activity:

Field of Activity	Customer Credit Term	Average Credit Days 124 ¹⁰³		
		2021	2020	2019
Development and investment in Israel	From net payment to net + 60	60	60	49
Construction and operation	From net payment to net + 30	60	35	29
Initiation and investment abroad	From net payment to net + 60	60	---	---

The increase in customer credit balance and credit days stems from the Company's decision to provide a loan to some of the Project Corporations during the construction period, to be repaid upon completion of the construction by credit taken out by the Project Corporation.

4.3.2.4 Supplier credit, service providers and subcontractors

The main suppliers and eligible persons of the Company are equipment suppliers and subcontractors who assist in the construction the Systems. Liability to these suppliers is primarily based on open debts. For details regarding terms of purchase and contracting with subcontractors, see section 3.2.9 above.

The following are payment terms for suppliers , service providers and subcontractors broken down according to fields of activity ¹⁰⁴ :

Field of Activity	Supplier credit term, service providers and subcontractors	Average Credit Days 124		
		2021	2020	2019
Construction and operation	From net payment to net + 60	60	60	52
Development and investment abroad	From net payment to net + 30	30	---	---

4.4 Insurance

Group Companies with System holdings take out insurance as follows:

¹⁰³ customer days were calculated according to the ratio of customers to revenues in absolute values of the Company and the Group Companies, without taking into account the Company's holdings rate.

¹⁰⁴ Suppliers' credit in the field of development and investment in Israel is mainly credit provided by the Company to the Project Corporations.

- a) Employers' liability insurance within the limits of NIS 20 million per employee for each case and period.
- b) Third-party liability insurance within the limits of between NIS 2 million and NIS 40 million per case and period.
- c) Extended fire insurance for Systems, tools and other equipment used for electricity generation and any other property related to photovoltaic Systems
- d) Income loss insurance at the limit of liability at first loss to cover the annual income loss of any System in accordance with the size of the System and the income it generates.¹⁰⁵

In addition, the construction activity of solar Systems is insured under Contractor work insurance, which includes property insurance, third party insurance, and employer liability as is customary, professional liability insurance within the limits of liability in the amount of NIS 10,000,000 per case and insurance period.

For details regarding insurance coverage of directors and officers, see regulation 22 in Chapter Additional details about the corporation (Part D of this report).

4.5 Financing

4.5.1 Financing structure

The Group finances its activities through equity, loans from banking corporations and investment funds, corporate Project Partner loans and positive cash flow surpluses from its activities.

4.5.1.1 Project Financing

Banking Financing

Most of the loans taken out by the Group Companies are dedicated bank loans taken out as senior Project debt for the construction of the Systems, amounting to about 75% - 90% of the cost of setting up the Project, with the balance being financed by the developer (the Company and the Partners, if any, at rates agreed between them) as equity in the Projects, through a shareholder loan in the Project Corporations as a condition of bank financing. Generally, such bank loans are first given as short-term credit for periods of up to 9 months for the purpose of constructing the Systems. Upon completion of the construction of the Systems, and subject to compliance with various conditions (such as obtaining an operating permit and connection to the electricity grid, the System meeting technical and other

¹⁰⁵ The policy covers loss of income as a result of damages caused to the Systems in the case of an insured event covered by the Company's property (fire) policy.

conditions, taking out insurance, receiving manufacturer's warranty for System components, accumulation of safety cushion, etc.), credit repayment is spread over 20 years.

In relation to such loans in commercial operation, the financing lines usually include obligations to meet various financial criteria, which mainly include: maintaining a debt service coverage ratio¹⁰⁶(between 1.1 and 1.25, when there are Systems held by the Company for which this ratio is measured collectively¹⁰⁷), annual income, EBITDA rate from revenue (no less than 85%). In addition, in net meter Systems, the debt service coverage ratio measured according to a guaranteed rate and spread over 10 years will not be less than 1. As of the date of the report, the Group companies in Israel meet the financial criteria to which they are committed and there is even a positive gap between the actual results and the standards to which they are committed.

Such bank loans are guaranteed in regular and current liens on all rights in the Systems and rights of the Project Companies in agreements signed in connection with the System, and sometimes also on the rights derived from holding the Project Corporations that hold such Systems. In relation to the Systems established under the Project Corporation - for the most part the Company guarantees the Project Corporation's debts to the financing banks in accordance with its relative shareholding in the Project Corporation¹⁰⁸. The debt balance (if any) is guaranteed by the Partner in the Project. In addition, bank financing of the Projects held by a company and/or corporations under its control was usually secured by cross collateralization on Projects in full Company ownership (directly and through companies under its control).

Blue Sky Funding

The financing of Blue Sky's activities is carried out from independent sources, through a shareholder loan granted by the Company and by taking on debt from banking entities. In addition, upon completion of the construction of the System and its connection to the electricity grid, the Tax Partner provides a payment for the acquisition of rights in the Project which is used to repay part of the equity invested by Blue Sky during the construction period and to repay part of the construction loan.

¹⁰⁶ "Debt service coverage ratio" , means - the ratio between the Project operating profit and the debt repayments in a certain period (generally reviewed at an annual level).

¹⁰⁷ As a rule, a decrease below the ratio of 1.1 shall constitute grounds for providing the loan for immediate repayment and a decrease below the ratio of 1.25 shall constitute grounds for raising the interest rate that the loan bears. Most often, the compliance with the standards can be corrected by making a deposit or repayment of part of the loan.

¹⁰⁸ Some of the loans taken out by the Joint Project Companies are secured by a full guarantee of the Company and in some of the loans the scope of the Company's guarantee is derived from a function of the rate of holdings of the Company in the Project Corporation in 1.3.

Most often, during the construction period, Blue Sky takes balloon loans for a period of 12 months, secured by a first-degree lien on the shares of the property company that holds the Project. After completion of construction, the loans are spread out over a period of between 10 and 20 years.

Blue Sky has committed to compliance with the Banking Corporation Policy with a debt service coverage ratio of 1.35. As of the date of the report, Blue Sky has received approval from the financing banks to postpone the inspection of the Company's compliance to June 2022.

4.5.2 The cost of the financing

Below is data regarding valid loans taken by the Group companies and the average and effective interest rates for those loans as of December 31, 2019 and December 31, 2020¹⁰⁹:

		Loan Type	Balance in NIS as of December 31, 2021, (in thousands of NIS)	Interest (summed average)	Effective interest rate (summed average) (*)	Balance in NIS per day December 31, 2020 (in thousands of NIS)	Interest (summed average)	Effective interest rate (summed average) (*)
Long-term loans								
Development and Investment Field in Israel	Major Bank Financing (**)	Variable interest	368,929	3.74%	3.79%	223,273	3.40%	3.45%
	Senior financing from Partners in Projects	Variable interest	857	3%	3.04%	997	2.85%	2.89%
	Non-bank minor financing (Noy fund) (***)	Variable interest	18,140	6.50%	7.23%	11,350	6.5%	7.23%
Development and Investment	Senior Bank Financing	Fixed interest	55,994	5.76%	5.92%	---	---	---
Short-term loans								
Development and Investment Field in Israel	Major Bank Financing (**)	Variable interest	309,464	2.34%	2.40%	62,404	5.53%	3.59%
	Senior financing from Partners in Projects	Variable interest	---	---	---	---	---	---
	Non-bank financing	Variable interest	---	---	---	---	---	---

* Not including commissions.

** Long-term senior financing is dedicated to Project financing for Systems in commercial operation, while short-term senior financing is dedicated to Project financing for Systems under construction or ongoing company Contractor financing.

4.5.3 Credit at variable interest rates

¹⁰⁹ The amounts include all the loans taken out by the Company and the other Group Companies, the balances are presented at their absolute value, without taking into the account the holding rate by the Company. It should be noted that most of the loans were taken out by corporations accounted for in the Company's reports according to the equity method.

Below are details of major loans at variable interest taken by the Group companies:

Credit purpose	The change mechanism	2021		2020		2019		Interest rate (summed average) near report date
		Interest rate range	Credit amount as of December 31 (in thousand NIS)	Interest rate range	Credit amount as of December 31 (in thousand NIS)	Interest rate range	Credit amount as of December 31 (in thousand NIS)	
Project funding	Prime + 0.5% to Prime + 1.9%	2.25% - 4.2%	697,387	2.6% -3.65%	298,023	3.15% - 3.65%	138,402	About 3.1% (Prime+ about 1.5%)
Working capital financing	L.R.	---	---	3.35% -3.95%	---	3.35% - 3.8%	20,502	---

4.5.4 Financing Frameworks

Group companies have financing frameworks as detailed below ¹¹⁰ :

	December 31, 2021		December 31, 2020 **		as of the date of the report	
	Utilized financing/ credit (in thousand NIS)	Financing/ credit frameworks in thousand NIS)	Utilized financing/ credit (in thousand NIS)	Financing/credit frameworks (in thousand NIS)	Utilized financing/ credit (in thousand NIS)	Financing/credit frameworks (in thousand NIS)
Bank financing frameworks for Project initiation	928,393	678,393	558,023	298,023	958,393	700,393
Funding frameworks from the Noy fund for Project initiation	L.R.	18,140	60,000	11,350	60,000	18,140
Bank financing frameworks for assembly	---	---	1,000	---	---	---

¹¹⁰ Except for the banking credit line of the Company itself as a Contractor for the construction of the Systems, the utilization of rest of the banking credit lines is subject to compliance with various conditions required by virtue of the terms of the contracts with the financing banks.

4.5.5 Substantial Financing

The following are details of substantial financing taken by the Company and corporations under its control, the balance of which constitutes 5% or more of the Company's total assets, as presented in the Company's financial statements as of December 31, 2021:

Loan No.	The loaner	The lender	Balance as of 31/12/2021 (NIS millions)	Comments /additional essential conditions							
				Additional info	Interest conditions ¹¹¹	Due dates	Financial criteria And calculation of compliance as of 31.12.2021	Violation event, Cross default	Collateral, liens and guarantees in respect of the loan, and their value in the financial statements	Return Rights	Additional info
1.	The Company	holders of Bonds	398	For details regarding the terms of the bonds, see Appendix A to the Board of Directors' report as well as the shelf offering report published by the Company on August 12, 2021 (reference number 2021-01-131616), which is incorporated in this report by reference thereto.	1.48% per year	10% - June 30, 2023 6% - December 31, 2023, and 2024 and June 30, 2024, and 2025 4% - December 31, 2025 and 2026 and June 30, 2026 and 2027. 50% - December 31, 2027	Equity - NIS 1,447 thousand Solo Equity to Solo Balance Sheet Ratio - 71% ¹¹²	Violation of obligations contained in the Deed of Trust, imposition of foreclosure, appointment of an officer, insolvency proceedings, substantial change for the worse, suspension of trading on The Stock Exchange, illegal obligation, provision for immediate repayment by other parties.	The bonds are not secured by liens. However, there is a commitment to a current general negative lien on all its assets.	Debt of the Company	See shelf offering report published by the Company on August 12, 2021 (reference no. 2021-01-131616, which is incorporated in this report by reference thereto)
2.	Olmedilla	Banking corporations in Spain	121	Line of credit in the amount of €71.5 million plus bank guarantees. The credit line is exercisable subject to the provision of equity of €19.3 million, compliance with leverage ratios at a maximum rate of 56% and the existence of sufficient measures for the completion of the Project. In a credit line valid until the earlier of either 6 months from the date of the Project's construction (which is set for the end of March 2022) or the	Euribor plus a margin of 2% - 2.75% (that increases throughout the loan period)	Semi-annual payments of principal and interest during 18 years from the date of commercial operation. In addition, there is an obligation to make early repayments at the rates specified in the agreement, which may shorten the term of the loan to 14 years.	Historical debt service coverage ratio (DSCR) for other 12 months of 1.05. A maximum leverage ratio of 56%. Existence of reserve accounts and minimum equity in the Project. As of the date of the report, the Company is not required to comply with the requirements in relation to the coverage of the debt and the	Acceptable grounds, including breach of obligations included in the agreement, failure to comply with financial relations, failure to complete equity due to budgetary irregularities and/or the construction of the electricity grid by the subsidiary, violations of agreements of the Project Company or impairment of their validity, exceeding the deadlines for the completion of the construction of the	Liens on the rights of the Project Company by virtue of all the Project agreements, a lien on 40% of the Hive Grid shares, subordination letters to the shareholder loans, the commitment of the shareholders to provide additional equity to cover budgetary irregularities in the amount of approximately €10.7 million and to ensure the repayment of the loan in the next 12 months, backed by	There is a shareholder commitment to support a Project backed by a bank guarantee.	For further details, see section 3.3.8 of the Company's Annual Report for 2020, which is incorporated in this report by reference thereto.

¹¹¹ The description does not include transaction fees (including a line fee, a cancellation fee and a non-utilization fee) and interest in arrears.

¹¹² solo equity as of 31.12.2021 - NIS 1,394 thousand; solo net balance as of 31.12.2021 - NIS 1,962 thousand.

Loan No.	The loaner	The lender	Balance as of 31/12/2021 (NIS millions)	Comments /additional essential conditions							
				Additional info	Interest conditions ¹¹¹	Due dates	Financial criteria And calculation of compliance as of 31.12.2021	Violation event, Cross default	Collateral, liens and guarantees in respect of the loan, and their value in the financial statements	Return Rights	Additional info
				date of the COD.			reserve accounts.	System by more than 6 months, impairment of the validity of the Project licenses and permits, change of control of the Project Company, in such a way that Noy-Nofar Europe ceases to hold at least 95% of the holdings in the Project Company, as well as the Project Company ceasing to hold at least 40% in Hive Grid (joint network connection infrastructure company to Olmedilla and Sabar)	bank guarantees as well as additional sureties as may be required in the event of an infringement event and/or a decrease in the coverage ratio to 1.1.		

Loan No.	The loaner	The lender	Balance as of 31/12/2021 (NIS millions)	Comments /additional essential conditions								
				Additional info	Interest conditions ¹¹¹	Due dates	Financial criteria And calculation of compliance as of 31.12.2021	Violation event, Cross default	Collateral, liens and guarantees in respect of the loan, and their value in the financial statements	Return Rights	Additional info	
3	The Company and its affiliates	Corporation Banking A	25.9	Short-term loans received to finance the construction of Projects. At the end of the construction period and subject to the creation of liens as described below, the approval of a solar energy sector consultant on behalf of the Bank of the integrity of the Systems and the connection to the network, and the approval of an inspector on behalf of the Bank of the technical specifications of all the Systems, the loans will	Prime + 1.9%	Interest monthly payments. Fund - 9 months from the loan establishment date	-	A decrease in the coverage ratio between 125% and 110% will lead to an increase in interest rates by 0.25%. A decrease to a coverage ratio lower than 110% will serve as grounds for immediate repayment. In the event of a deviation from the coverage ratio, the borrowers may correct the	Violation of obligations by virtue of the documents signed with the Bank, imposition of foreclosure, appointment of an officer, insolvency proceedings, substantial change for the worse, illegal obligation, provision for immediate repayment by other parties.	See section 4.5.1.1 above as well as cross collateralization of all Projects or Systems, in such a way that each Project will secure all Projects.	L.R.	See Section 4.5.1.1 above

¹¹¹ The description does not include transaction fees (including a line fee, a cancellation fee and a non-utilization fee) and interest in arrears.

Loan No.	The loaner	The lender	Balance as of 31/12/2021 (NIS millions)	Comments /additional essential conditions								
				Additional info	Interest conditions ¹¹¹	Due dates	Financial criteria And calculation of compliance as of 31.12.2021	Violation event, Cross default	Collateral, liens and guarantees in respect of the loan, and their value in the financial statements	Return Rights	Additional info	
				be spread out over a period of 20 years at a prime interest rate of +1%.				deviation within 30 days from the date of the breach, by making a deposit or partial repayment of the loan.				
4			24.1	The credit used to finance 80% the cost of constructing 7 Projects held by the Company or companies under its control that operate under a net meter regulation.		The loan is repaid in equal monthly installments (principal and interest) from 1.7.2020 to 30.7.2035.		A minimum debt coverage ratio of 125% that is reviewed once a year, beginning one year from the date of the loan. A debt coverage ratio of 100% according to the tariff guaranteed by IEC in the event of the sale of electricity to the network, spread over 10 years; Safety cushion in the amount of 3 monthly payments and starting in the third year - an additional safety cushion in the amount of 140,000 NIS per year. As of 31/12/2021 the ratio of the loans' covered debt is between 1.4 and 1.9.				

4.5.6 Liens and other restrictions

As of the report, most of the rights in the Company's assets and the assets of the Project Corporations are encumbered with fixed liens in favor of banking corporations, in fixed liens, and floating (current) liens, as the case may be.

Most of the lien documents in favor of the banks include restrictions on change of control/ownership in the developer (i.e. the Company and/or a corporation under its control and/or the Joint Project Corporation) and in some cases also in the guarantors of the developer's debts (including the Company).

In addition, some of the Company's lien documents in favor of the banks have restrictions on distribution by the Company.

Moreover, the Company's vehicles (provided to Company employees) are encumbered at regular liens in favor of leasing companies.

For further details regarding liens and guarantees, see Note 15b to the Company's financial statements as of December 31, 2021.

4.5.7 Credit for the coming year

In the company's view, in the coming year the Group's Companies will be required to raise major Project funding in the estimated amount of an additional hundreds of millions of NIS for the purpose of financing the Projects.

In view of the fact that as of the date of the report agreements have not yet been signed for the credit specified in this section, as of the date of the report there is no certainty about entering into such financing agreements.

4.6 Taxation

See Note 25 to the Company's financial statements as of December 31, 2021.

4.7 Substantive agreements

4.7.1 The Noy Fund's sale and investment agreement in the Company

See Section 4.7.3 in the Corporate Business Description chapter of the Company's Annual Report for 2022, which is incorporated in this report by reference thereto.

4.7.2 Joint Investment Agreement with the Noy Fund in European Renewable Energies

Together with the contracting in the investment agreement and the shareholders' agreement, as detailed in Section 4.7.1 above, on August 31, 2020, the Company engaged in an agreement with Noy-Nofar Europe (hereinafter, the "Partnership"), The Noy Fund (a limited Partner in the Partnership), Noy

E.I. Infrastructure and Energy G.P, Limited Partnership (General Partner in the Partnership) (hereinafter, the "Outgoing General Partner") and Noy-Nofar Europe General Partner Ltd. (in this section hereinafter, the "General Partner"), which was amended on 30 September 2020, regarding the Company's addition, without consideration, as a Partner in the Partnership, by allocation of rights to the Company, so that the Partnership and General Partner will be held 40% by the Company and 60% by the Noy Fund (in this section hereinafter, respectively, the "European Investment Agreement", the "Limited Partners" and together with the General Partner, hereinafter, the "Partners"). In October 2020, the allocation of 40% of the rights in Noy-Nofar Europe to the Company and the replacement of the General Partner were completed (in this section hereinafter, the " **Completion Date** ").

For details regarding Noy-Nofar Europe's activities, the parties' commitment to the demarcation of activities and the provision of the necessary funding for its activities, see section 4.7.2 in the Corporate Business Description chapter of the Company's periodic report for 2020, which is incorporated in this report by reference thereto.

4.7.3 Sunprime Purchase Agreement

In February 2021, Andromeda entered into an agreement and completed a transaction to make an investment in Sunprime Generation Srl. For details regarding the terms of the agreement see section 4.7.5 in the Corporate Business Description chapter of the Company's Annual Report for 2020 as well as immediate disclosures published by the Company on February 1, 2021 (reference number 2021-01-12418) and February 7, 2021 (reference number 2021-01-015135), which is incorporated in this report by reference thereto.

During the reporting period, Andromeda provided Sunprime with a total of EUR 30 million, and also converted convertible loans of EUR 20 million into Sunprime shares, in such a way that at the date of the report, the balance of convertible loans provided by Andromeda to Sunprime amounts to EUR 10 million, and Andromeda holds 30% of the issued capital of Sunprime.

4.7.4 Blue Sky Purchase Agreement

On May 25, 2021, Nofar USA entered into agreements with Blue Sky and their shareholders (hereinafter in this section: " **Founders** "), to acquire 67% of the rights in Blue Sky against a total of up to US \$26 million (subject to adjustments), of which, a total of US \$20 million was paid to Blue Sky and a total of US \$6 million, net of adjustments and monies in trust, was paid to the Founders.

In addition, on the Completion Date, which falls on July 3, 2021, the Group provided Blue Sky with a credit line of up to \$65 million, which can be utilized during a period of 40 months from the Completion Date, to finance current expenses, development costs, construction and purchase of Projects that will meet the conditions for withdrawal set forth in the Agreement. The loan funds will be repaid on a cash sweep basis from the net available cash flow of Blue Sky and will be secured by a lien on Blue Sky

assets and by a lien on the rights of the founders of Blue Sky.

In addition, on the Completion Date, employment agreements were signed between Blue Sky and the Founders and Partnership agreements between Blue Sky, Nofar USA and the Founders regarding how Blue Sky is managed and the applicable tax arrangements.

For further details regarding the purchase agreement see the immediate disclosures published by the Company on May 25, 2021 (reference number 2021-01029851) and July 6, 2021 (reference number 2021-01-049006), which is incorporated in this report by reference thereto.

4.7.5 The cooperation agreement with Electrum

On October 28, 2021, Nofar Europe entered into an agreement with Electrum regarding the joint and exclusive possession of Electrum Nofar engaged in the initiation, development, financing and maintenance of solar and wind Systems with a Capacity of up to 1,250 MW.

On March 3, 2022, Electrum Nofar entered into an agreement with Electrum to acquire a portfolio of Projects with an estimated Capacity of approximately 412 MW, which were purchased and/or developed by Electrum prior to the establishment of Electrum Nofar. And as of the date of the report Electrum is engaged in locating, developing and initiating additional Projects in Poland for Electrum Nofar.

For further details see the immediate disclosures dated November 21, 2021 (reference no. 2021-01-168729) and March 6, 2022 (reference no. 2022-01-022056), which is incorporated in this report by reference thereto.

4.7.6 Atlantic Green Foundation Agreement

In December 2021, the Company entered into a cooperation agreement with the Interland Group regarding the establishment of Atlantic Green, which deals in the initiation of battery storage Projects (Standalone Battery Energy Storage Systems) and the acquisition of the rights to the Cellarhead Project, a battery storage Project with an estimated Capacity of 700 megawatts. For details see the immediate disclosure published by the Company on December 19, 2021 (reference no. 2021-01-181458), which is incorporated in this report by reference thereto.

4.7.7 Olmedilla and Sabinar Projects

For details regarding the Olmedilla Project and the Sabinar Project, including the agreement with the local developers, the purchase agreements, the financing agreement, the construction agreements and the maintenance agreements, see sections 3.3.1.3, 3.3.5, 3.3.6, 3.3.7.1, 3.3.7.2 and 3.3.7.8 in the chapter on corporate business description in the Annual Report for 2020 as well as immediate disclosure published by the Company on March 24, 2021 (reference no. 2021-01-042624), which is

incorporated in this report by reference thereto.

4.7.8 Training

For details regarding the rights purchase agreement at Sabinar Hive S.L. See the immediate disclosure published by the Company on February 16, 2021 (reference no. 2021-01-018453) and also section 3.3.5.3 in the Corporate Business Description chapter of the Company's Annual Report for 2020, which is incorporated in this report by reference thereto.

4.7.9 Training

For details regarding the acquisition of the rights in Ratesti Solar Plant Srl and the cooperation agreement and management agreements with Econergy, see the immediate disclosures published by the Company on May 27, 2021 (Ref. No. 2021-01-031756), July 4, 2021 (Ref. No. 2021-01-110811) and November 7, 2021 (Ref. No. 2021-01-094738), which is incorporated in this report by reference thereto.

4.7.10 Acquisition of a backlog of Projects in Poland with a Capacity of approximately 185 megawatts

For details regarding the purchase agreement for the portfolio of Projects in Poland with an agreement totalling 185 megawatts, see the immediate disclosure published by the Company on November 24, 2021 (reference number 2021-01-170472), which is incorporated in this report by reference thereto.

4.8 Environmental Risks and their Management

4.8.1 Environmental Aspects

Environmental aspects relating to the Group's activities, may be in regards to the planning of photovoltaic Systems and storage Systems, the replacement of the asbestos roofing on which the Systems are installed and disposing of the wear and tear waste of their components at the end of their operation.

As part of the statutory promotion of the construction of ground and large reservoir solar Systems, and storage Systems, thought is given to environmental factors and the impact of the Systems on the environment, including in terms of land use and landscape-environmental impact, effect on animals, water pollution, soil pollution, visibility, noise, etc.

The dismantling of asbestos roofing in Israel is executed, in compliance with the provisions of the Law for the Prevention of Hazardous Asbestos and Dust, 2011, by an appropriately licensed asbestos contractor, and subject to the prior granting of dismantling and evacuation permits by the Ministry of Environmental Protection.

The storage Systems used by the Company are based on batteries from LFP (Lithium Phosphorus Iron) technology. To the best of the Company's knowledge, this compound is considered the safest of

all existing lithium batteries. However, there is potential fire hazard associated with the batteries, which may be caused by uncontrolled discharge/charging and overheating. To the best of the Company's knowledge, all battery packs are cooled and monitored to prevent combustion of any kind and if necessary, the System halts its operations in order to prevent overheating that could cause a fire. If such a fire occurs, the enclosures are constructed in such a way that they contain the fire inside them and can allow the cells burn safely and without causing damage to the environment. In addition, Tesla's cooling Systems are based on cooling by liquid in a closed System which is remotely monitored for any leakage. In addition, the System contains a spill pallet for receiving the aforementioned liquids.

Regarding the System component wear and tear in Israel, the Environmental Treatment of Electrical and Electronic Equipment and Batteries Law, 2012 provides that non-private sector electronic equipment and battery owners must contact a recognized competent Contractor to dispose of their equipment waste. In the event of a change in the Law, the Company shall not be liable for any material cost to comply with this requirement.

4.8.2 Detailed Description of the Environmental Risks

As of the date of this report, the Company is not aware of any material environmental risks that have or are expected to have a material impact on the Group, or of any legal provisions in the field of environmental risk that have material implications for the Group and its activities.

4.8.3 Legal Provisions Relevant to the Group's Activities

To the best of the Company's knowledge, the legal provisions relating to environmental risks are mainly relevant when initiating the Systems (in various countries the Group is required to carry out various environmental surveys as a condition for obtaining the permits, constructing the Systems and disassembling them as detailed above).

4.8.4 Environmental Risk Management Policy

The policy of Group's Companies regarding environmental risk management focuses on adjustment of corporate activities to meet the legal requirements regarding environmental risks, in the interest of minimizing any potentially negative impact on the activities of the Group's Companies. Risk management is performed by the country administrators in each territory, who continuously monitor regulatory developments relevant to the activities of the Group's Companies, including in the field of environmental risk, in a manner conformant with the legal provisions.

4.8.5 Legal Process

As of the date of this report, neither the Company nor its office-holders are a party to any environment-related legal proceedings (including any substantive legal or administrative proceedings). Moreover, the Group's Companies have not been a party to any such proceedings. Furthermore, as at the date of

the report, no environment-related amounts or provisions were recognized in the financial statements and the Group's Companies were not held liable for any other environment-related costs.



4.9 Corporate Activity Restrictions and Monitoring

The regulatory framework on which the Group's activity is based in Israel is the relevant legislation for the electricity sector under the Israel Electricity Law, 5714-1954, the regulations and rules issued pursuant to them, and the decisions of the Israel Electricity Corporation (IEC), including the relevant guidelines and decisions issued by the Government of Israel and the Ministry of National Infrastructures, Energy and Water Resources.

In addition, the activity in the renewable energy sector is subject to the approval of various regulatory bodies and institutions, such as local authorities, IEC, the System management company, planning and construction bodies, various government ministries (such as the Ministry of Agriculture, the Ministry of Interior and the Ministry of Defense) and the decisions, procedures, and standards issued on their behalf, as required principally in advance of the construction of the Facility and the commencement of its commercial operations.

Below is a summary overview of the additional regulation that exists in the sector in Israel, as of the date of the report:

4.9.1 Regulation of Activity in the Electric Power Sector in Israel

The Company's activities are subject to the provisions of the Electricity Sector Law and to the resolutions and Regulations published by the Electricity Authority (which is responsible for the Electricity Sector Regulation in Israel), from time to time. Until recently, the electricity sector in Israel was controlled almost exclusively by IEC, which is defined, according to the Electricity Sector Law, as a "vital service provider", being the System manager, and owner of the electricity transmission and distribution network in Israel.

In recent years, a comprehensive reform of the electricity sector has been approved, which includes: removing the management of the electricity System from the IEC and transferring it to a government company (The Israel Independent System Operator Ltd); reducing the IEC's volume of activities in the production segment; increasing the production Capacity of private electricity producers by way of establishing private power plants, privatizing IEC power plants, and selling off potential lands for the construction of additional production sites; removing regulatory barriers ¹¹³; increasing production quotas in renewable energy; opening the electricity supply segment to competition; the possibility of establishing Systems that operate by virtue of different Regulations in one consumption location, etc. According to publications, the purpose of the reform is to focus the IEC's efforts on the development of the conduction segment, which has been underdeveloped in recent decades, and which, according

¹¹³ such as the removal of barriers in relation to the conduction network, which enables the connection of electricity generation Facilities with high-voltage renewable energy.

to the Company, constitutes one of the significant barriers to the development of the renewable energy sector in Israel ¹¹⁴.

4.9.2 Land Rights Regulation and Obtaining Building Permits

The construction of ground-based solar Systems and large Systems for the storage of electricity are subject to regulation of the land on which they construct the Systems (proof of ownership of the land, leasing right or rental right), depending on the extent to which the System is promoted.

In addition, the Group's Companies are required to obtain the required permits for changing the zoning of the land and obtaining building permits (Planning Permission, Spatial Plan, Location Decision, Zoning Plan, Building Permits, etc.), which vary from country to country.

4.9.3 Connection credentials

The construction of solar Systems and storage Systems is subject to obtaining the approval of the transmission network or distribution network (depending on the size of the System), for connection of the System to the electricity network (distributor response). As noted, acceptance of such approval is subject to submitting a Grid Connection Application, and in some countries also a deposit of a guarantee, and the engagement of a Grid Connection Agreement that regulates the date of connection, the size of the connection, limitations regarding transmission of power to the grid, connection conditions.

4.9.4 Licensing of Engineering Contract and Electrical Works

Construction and maintenance activities include engineering and contracting work. The Registration of Contractors for Construction Engineering Works Law, 5769-1969, states the licensing and registration requirements in the Register of Contractors for construction engineering works that exceed the financial scope or professional nature of the sector, as defined in the regulations. The Company holds a current license for its System construction activities, which remains valid until the end of 2021, and has been listed in the Register of Contractors since April 2017, according to Group A's 1 Contractors Classification in Electrical & Communications in Buildings (160) and Solar Energy Facilities & Photovoltaic Cells (191).

The Electricity Law, 5714-1954, requires the possession of a license for performing electrical work. For the execution of the Systems' construction and maintenance, the Company's Contractor license

¹¹⁴ As of the date of the report, the connection of the Systems to the electricity network is conditional, among other things, on an available space for them in the electricity network. In view of the limitations of the electricity grid, sometimes in an area where several electricity producers operate (including renewable energy Facilities), a limited positive distributor response or a negative distributor response is received from the electricity grid, which limits or does not allow the Facility to be connected, since the grid in the area where the System is to be connected is at full Capacity.

allows it to carry out electrical and communications work in buildings and solar energy Facilities based on the skills of two competent workers. In addition, the Company is assisted by the services of subcontractors holding the necessary licenses.

4.9.5 Regulation of Safety at Work

As part of the construction and operation services provided by the Group's Companies, they may be subject to the labor safety laws applicable to the execution of relevant work, as well as the orders and regulations promulgated pursuant to them, including the Work Safety Ordinance [New Version], 5730-1970 (hereinafter, the "Safety Ordinance"), regulations and orders issued pursuant to it, the Labor Inspection Organization Regulations, and so on, regarding aspects of safety at work, including work at a height, construction work and electrical work, appointment of a safety committee, safety officer, and professional manager in the various Projects. In compliance with the Safety Ordinance rulings, the Company has contracted a third party to provides the services of a Safety Officer.

4.9.6 Business Licenses

As required under the Business Licensing Ordinance (Licensable Businesses), 5773-2013, power plants are required to have a business license. In the Israel Electricity Law, 5714-1954, a power plant is defined as a Facility used to generate electricity in excess of 5 MW.

4.10 Legal Process

As of the reporting date, the Group's Companies are not a party to any substantive legal proceedings.

4.11 Objectives and Business Strategy

The company has set itself the objective of being a global green electricity producer, taking an active and leading role in the green energy revolution, focusing on the fields of activity of producing and storing electricity from photovoltaic energy, storage Systems and wind energy, in Israel and abroad.

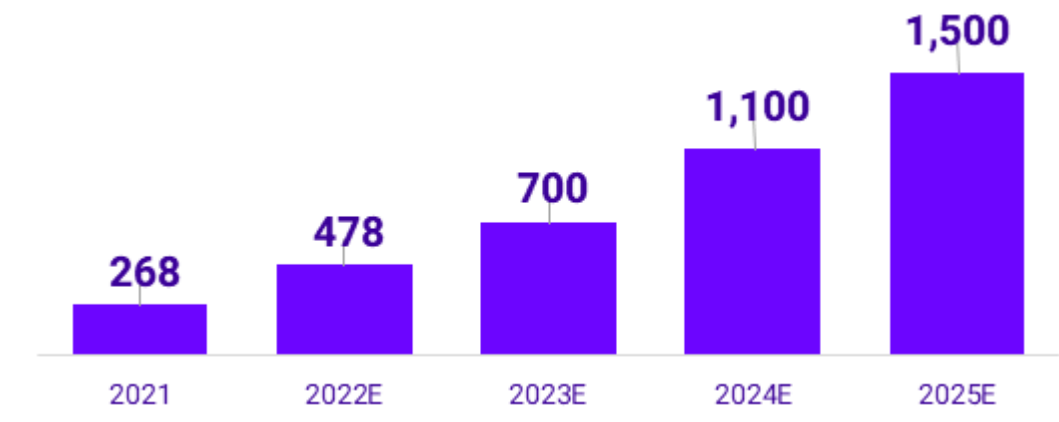
In accordance with this strategy during the reporting period, the Company continued to promote:

- (1) Maintaining its position as a key company in the renewable energy sector in general, solar energy and storage Systems in particular.
- (2) Deepening the activities of the platforms and increasing the backlog of the Group's Projects.
- (3) Expanding the Company's asset portfolio abroad.
- (4) Developing platforms in more territories around the world.
- (5) Developing of the Company's portfolio of storage Project protocols in Israel and abroad and the use of storage technology in other territories, both in combination with solar Systems and as stand-alone Systems.

Following this strategy, the Group's Companies are working according to the following objectives:

- **Expansion of the Company's activities worldwide** – The company's plans for its activities in the global space are divided into four main lines of activity: (a) expansion of its activities in the C&I sector through the existing growth platforms and possibly also through new platforms; (b) initiation and entry into Projects at the initiation stages in the Utility segment through the Company's local platforms; (c) expansion in the storage sector while evaluating the integration of the activity in the Company's platforms as a whole; (d) evaluating entry into new fields of activity such as wind power generation, charging stations for electric vehicles, hydrogen generation, and more.
 - a) **The C&I domain** - The Company has platforms in the C&I domain as follows: (1) The Sunprime Company in Italy operates today in the solar roofing sector by winning tenders that guarantee the Company guaranteed rates for a period of 20 years. As of the date of the report, Sunprime has Projects with a Capacity of approximately 130 megawatt with a guaranteed rate, alongside a portfolio of Projects under development. Sunprime has won the largest quota of GSE tenders four times in a row and is ready to continue and expand its operations in the field; (2) Blue Sky in the United States is focused on the construction of solar Systems on the roofs of commercial centers and the sale of electricity to business owners in complexes at rates based on high retail tariffs. Blue Sky's growth strategy is based on signing agreements with real estate-rich REITs. The company recently signed several significant agreements with REIT funds and is currently working to realize the potential inherent in these agreements, at the same time as signing additional agreements. Alongside existing platform activities, the Company intends to evaluate the construction of platforms or entering existing platforms in additional countries.

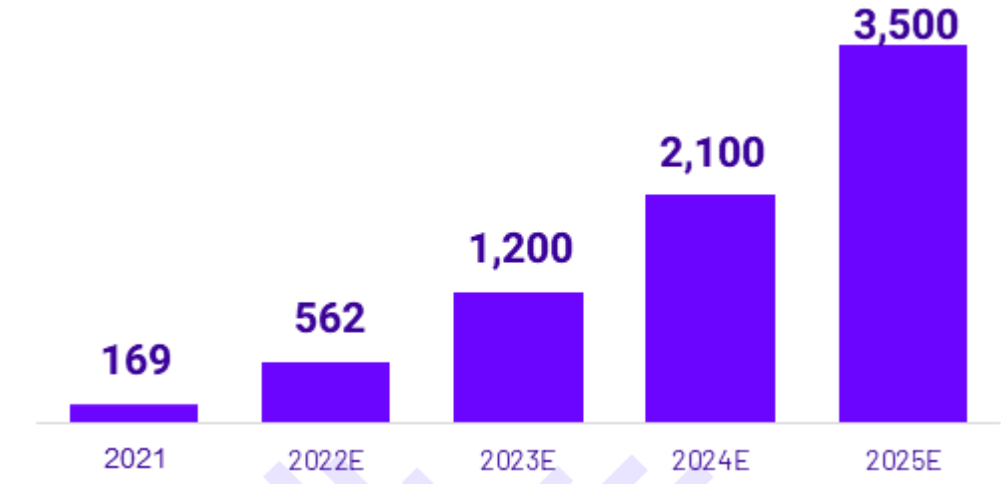
Below is a graph describing the Company's goals in the field of C&I (including its activities in Israel):



- b) The Utility Segment** - The Company has Projects in the Utility Segment in Spain, Romania and Poland. At the same time, the Company has local initiation platforms that work to initiate Projects or enter Projects at initiation stages in the above countries and the UK. According to estimates, these countries are expected to integrate large volumes of renewable energy in the coming years, which, according to the Company, will create opportunities for promoting high-quality Projects in them. The business model in which the Company operates aims to unlock value in the short term by entering Projects in the advanced development stages while at the same time producing high value in the medium term through independent development of Projects. In the Company's view, the increase in electricity prices that characterizes the recent period will allow the Company to benefit in the short term from high electricity prices in the aforementioned countries. Furthermore, the Company is creating global expertise for electricity trading in order to maximize the value of the Projects held by the Company. As of

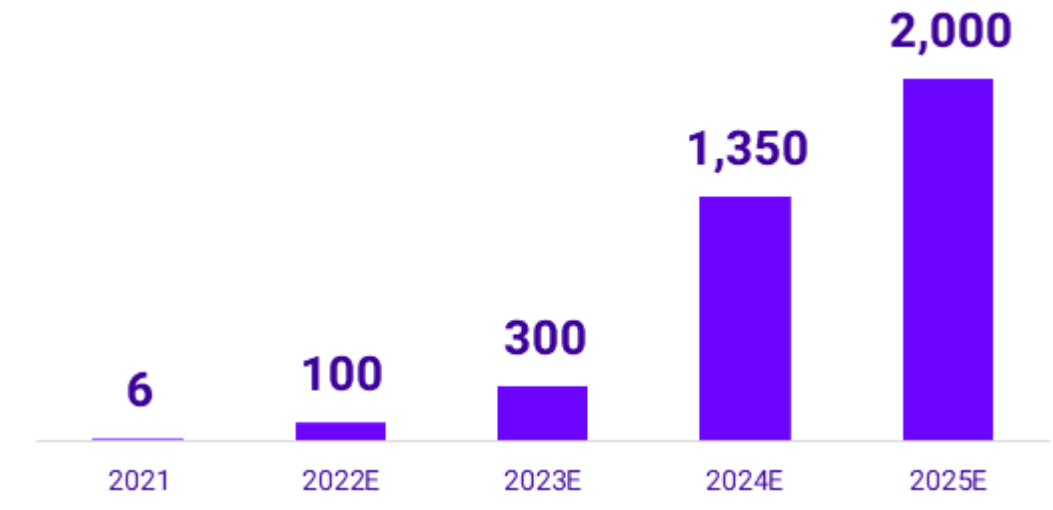
the date of the report, the Company is working to identify new territories and expand the Company's activities in the field of Utility Projects.

Below is a graph describing the Company's goals in the Utility segment, MW:



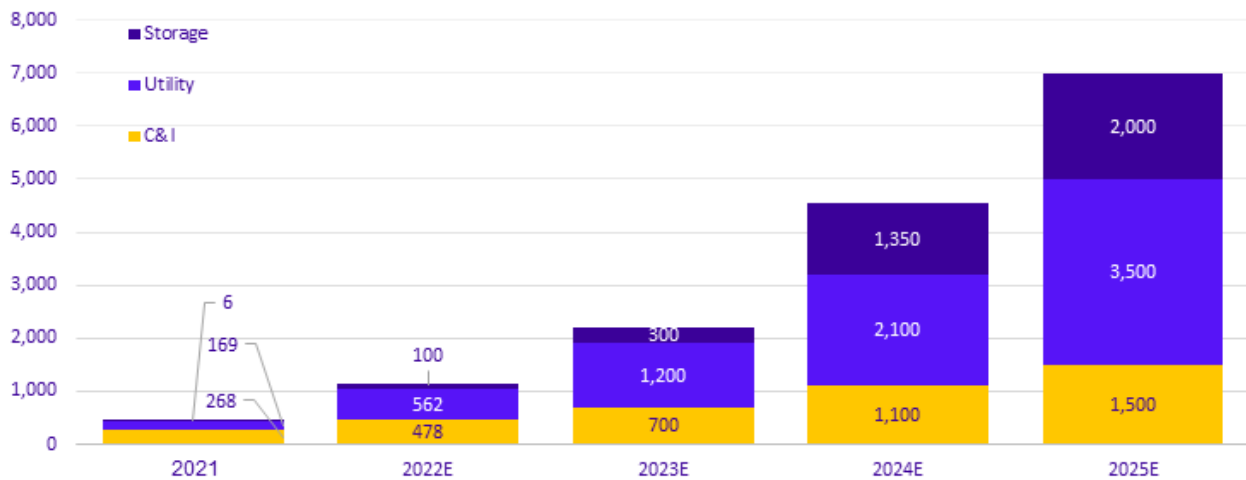
- c) Storage of electricity** - The company identified the storage sector as a complementary field to solar activity and over the past year has built a set of capabilities in the field. Today, the Company is promoting the Cellarhead storage Project, which, to the best of the Company's knowledge, is the largest in the UK with a connection Capacity of 300-349 MWh and an energy Capacity of around 700 MWh. This activity is promoted by the Atlantic Green platform, in which the Company holds 75% of the ownership. Through Atlantic Green, the Company is exploring entry to other storage Projects in the country that are in the process of being initiated, as well as the development of storage Projects. At the same time, the Company intends to continue exploring the integration of storage Systems into additional platforms and countries.

Below is a graph describing the Company's objectives in the field of storage, MWh:



- d) Entering additional fields of activity** - The company has set itself the goal of expanding its activities in the coming years to additional tangential fields. Production from wind energy is an field to which the Company aims to expand. The promotion of Projects dealing with production from wind energy requires capacities identical to those available in the Company today. Furthermore, the Company will evaluate entering into additional fields such as power supply, construction of charging stations for electric vehicles, generating hydrogen and hydrogen trade, and more.
- **Initiation activities in Israel** - Today, the Company's activities in the field of initiation in Israel focus on solar roofs, solar Systems on water reservoirs and storage Facilities behind the meter. The company's growth engine in Israel is based on a significant array of Partnerships with real estate-rich entities - kibbutzim and companies. The company's growth strategy in Israel is based on expanding the existing activity as part of the existing Partnerships, creating new Partnerships and expanding to new fields of activity. The Company has a license for the supply of electricity that the Company estimates will enable the Company to enter the electricity supply sector with the purpose, inter alia, of reclamation of economic storage Systems behind the meter. In addition, the Company will evaluate entry into synergetic fields of activity such as charging stations for electric vehicles.

The following is a graph describing the Company's objectives in the renewable energies and storage sector, MW/MWh:



- **Development of EPC, Operation and Maintenance (O&M) capabilities of photovoltaic Systems** - The Company's uniqueness is in the fact that the Company, as a developer, construction contractor, and O & M contractor, is active throughout the value chain of the construction of solar Systems and power storage Systems. In the Company's view, this gives the Company a special edge in its knowledge, experience and reputation, enabling the initiation of Projects that include the introduction of state-of-the-art technologies (such as floating Systems, storage Facilities, and so on.). The company intends to continue strengthening its construction, operation and maintenance capabilities in a manner that will also contribute to the initiation of ground-based Systems and renewable energy Systems outside Israel.

The objectives detailed in this section above regarding the Company's operating strategy are forward-looking statements as this term is defined in the Securities Law, being substantially based on the Company's expectations and assessments regarding future economic, industrial and other

developments, and their integration. These objectives may not realize or may be realized differently, including materially so, from the Company's assessments listed above, due to factors beyond the Company's control, such as: difficulty in locating the necessary sources of funding for the development of the Company's activities, difficulty in establishing Systems of various types, difficulty in locating land for the construction of Systems, failure to obtain the necessary approvals for the construction of the Systems, difficulty in contracting with various parties necessary for executing the Company's plans and objectives, lack of competitive procedures for the construction of Systems, changes in Regulations, electricity tariffs, System setup costs, the continuation of the Corona crisis and the restrictions imposed (and to be imposed) thereafter, etc., that will bring the Company to the conclusion that there is no economic feasibility in implementing the strategies listed above, etc., or the existence of one of the risk factors listed in section 4.13 below.

4.12 Expected Development in the Coming Year

During 2021, the Company worked to build development platforms around the world in parallel with the expansion and development of its backlog of Projects in Israel and abroad. The company has set itself the goal to work in 2022 and 2023 towards further development and expansion of its backlog of Projects in order to reach a backlog of solar Projects of Systems whose construction has been completed with a Capacity of gigawatts, storage Systems whose construction has been completed, are under construction or in pre-construction with a Capacity of gigawatts an hour and solar and/or wind Systems under construction and in pre-construction with a Capacity of gigawatts. For details of the Project backlog of the Group's Companies, see section 1.4 of the Board of Directors' report.

The above expectations for development in the coming year are forward-looking statements as this term is defined in the Securities Law, being substantially based on the Company's expectations and assessments regarding realization of its business plans. These plans may not be realized or may be materially different from what was foreseen by the Company, inter alia due to factors beyond the Company's control, such as: difficulty in locating the necessary sources of financing for the development of the Company's activities, difficulty in establishing the various types of Systems, difficulty in obtaining the necessary approvals for the Systems, changes in Regulations, changes in electricity tariffs, changes in the costs of constructing the Systems, delays in the publication of competitive procedures, continuation of the Corona crisis and the restrictions imposed (and to be imposed) in response to it, etc., in a manner that will lead the Company to conclude that there is no economic feasibility for the Systems to be established, etc., and/or materialization of any of the risk factors listed in 4.13 below.

4.13 Discussion of Risk Factors

4.13.1 Macroeconomic Risk Factors

4.13.1.1 Lack of Sources of Financing and Changes in Interest Rates -A necessary condition for the construction and commercial operation of an electric power generation System is the ability to raise credit, senior or secure debt, needed for the construction of the Systems. Therefore, the macroeconomic conditions of the economy in general and of the credit market in particular have a material impact on the ability of the Group to raise its debt. The slowdown in economic activity in Israel and/or Europe and/or the United States and/or credit granting restrictions, for any reason, by banking corporations or institutional bodies in Israel and/or Europe and/or the United States, which provide most of the Group's Companies' senior debt required for constructing electricity generation Systems, is liable to constitute a barrier for the ability to establish generation Systems and implement the Company's plans.

Furthermore, such a slowdown, accompanied by changes in interest rates for Projects in Israel, Europe and the United States, is liable to lead to increases in the financing costs of the Projects, thereby impairing the viability of their construction.

4.13.1.2 Exposure to changes in exchange rates - At the date of the report, the Company is engaged in the initiation of Systems in Israel, the United States, Spain, Poland, Romania, Italy, the United Kingdom, the Czech Republic and Serbia. Most of the investments in these countries are made in the local currency (ILS, USD, EUR, FROND, PLN, RON, CZK, RSD, etc.), and the revenues in these policies are also expected to be received in the local currency, while at the date of the report the financing sources of the Company are in NIS. In addition, making an investment in the forex market could create a balance sheet exposure of the Company. In addition, within the framework of the Company's contracting activity, a substantial proportion of the System components purchases are made from overseas suppliers in foreign currencies (mainly USD and EUR). Accordingly, the Group is exposed to fluctuations in exchange rates.

4.13.1.3 Exposure to Changes in the Consumer Price Index - The Group's Companies have a number of Facilities in Israel where the electricity revenue tariff is adjusted annually according to fluctuations in the Consumer Price Index. Furthermore, a number of photovoltaic Regulations stipulate that the electricity tariff be Index-adjusted annually. Accordingly, for these Systems the Group is vulnerable to any drop in the Index. In addition, the tariff paid for some of the Systems owned by the Group's Companies is fixed and not index linked. Accordingly, in respect of these Systems, the Group is vulnerable to any increase in the Index.

4.13.1.4 The state of the economy - Due to the nature of the Group's activity in the electric power generation sector, the slowdown in economic activity, the employment situation, the state of the capital markets, changes in government and central bank policies in the various countries in which the Company is active are liable to have a negative impact on the results of the Group's activities. In addition, the state

of the global economy and the state of the markets in Israel, the US and Europe may affect the price of the Company's stock and its ability to raise capital and financing for its activities.

4.13.1.5 [Increases in the prices of the inputs](#) - Increases in the price of the inputs (including the prices of the photovoltaic panels, terraces and storage components) may have an impact on the increase in the price of the raw materials used to manufacture the Company's Systems and as a result on the price at which the Company is to purchase its Systems from the manufacturers and suppliers. Any such change may affect the Company's cash flow in the future and may affect the economic viability of the purchase and construction of the Systems or their components.

4.13.1.6 [Global changes in the supply chain and shipping costs](#) - Significant global changes such as delays in the supply chains, delays in maritime shipping due to lockdowns, weather, etc., increase in shipping costs, wars, trade wars and pandemics may lead to an increase in raw material pricing, an increase in shipping costs and delays in shipments that may lead to delays in the construction of Company Projects and a decrease in their profitability.

4.13.1.7 [Security Situation in Israel](#) - Any deterioration in Israel's security situation may adversely affect the Company's ability to initiate new Projects in localities exposed to security risks. In addition, a security incident in Israel could cause damage to the Systems owned by the Group's Companies in Israel. Furthermore, any significant deterioration in the security situation may lead to budget channeling away from renewable energies in Israel to other fields, thereby affecting the market span.

4.13.1.8 [Gas and Oil Prices](#) A drop in gas and oil prices could have a negative impact on the viability of investing in renewable energy, and make solar energy a more expensive and less economically attractive alternative (and vice versa). However, given the installation of photovoltaic Systems is being promoted as a policy to reduce greenhouse gas emissions, the Company believes that this risk is not material in the fields of the Group's activities.

4.13.2 Sector Risk Factors

4.13.2.1 [Failure to Publish Quotas or to Win in Competitive Proceedings](#): The Group's activity in Israel depends to a large extent on the publication of quotas and competitive proceedings by the Electricity Authority. Failure to renew quotas or failure to win competitive procedures in Israel can have a negative effect on the Group's objectives, plans and business strategy for additional System installations in Israel.

4.13.2.2 [Changes in the regulatory environment](#) - As stated above, the Group's activities in the various countries are subject to Regulation and to obtaining the regulatory approvals required for the construction of Systems (connection certificates, building permits, compliance with environmental requirements, etc.). Renewable energy is an evolving field and therefore the regulations is set to continue to evolve with it, as well as change and affect the Group's activities. Thus, the implementation

of the Company's plans as well as its revenues are vulnerable to changes in the regulatory environment.

4.13.2.3 Dependence on Obtaining Permits and Approvals - For the construction of power generation Systems, it is necessary to execute works and obtain all the relevant permits and approvals from the various authorities (such as the Electricity Authority, municipal bodies, IEC, Director of the distribution network or transport network, planning bodies and government offices such as the Ministry of Health, Ministry of Agriculture, Ministry of Environmental Protection, and so on). There is no certainty that all the permits and approvals will indeed be granted or will be granted in line with the planned timetables for each Project. Also, the granting of the above permits could be subject to different terms, which could lead to schedule deferrals, forfeiture of guarantees, decrease in Project revenue or increase in the cost of proceedings, to the point of making the Project unprofitable, and sometimes also involving loss of the connection approval or cancellation of the quota won by the Company.

4.13.2.4 Electricity Tariffs - The Group's Companies in Israel have Systems that work according to net meter regulation, competitive procedures and a default that enables self-consumption of the electricity generated at the Facility. The electricity tariff paid to the Group's Companies operating under these Regulations is in line with and relative to the tariff paid by electricity consumers, during that time, to their electricity supplier (the IEC, a private electric power producer). In addition, Blue Sky revenues are based on electricity tariffs in the United States, net of a certain discount, and the Company's activity in Europe is based on electricity tariffs at the time of entering into agreements for the sale of electricity (PPA) or as part of a competitive market for electricity trading (Electricity Exchange). Accordingly, any drop in electricity tariffs is liable to have a negative impact on the income from Systems operating under these Regulations, and revenue from Systems selling their generated electric power on the Electricity Exchange. In this context, it should be noted that following the energy crisis that is plaguing Europe, the last year has been characterized by rising electricity prices in most European countries. Accordingly, the Company is working to enter into a Power Sale Agreement (PPA) with a view to fixing, as far as possible, the electricity prices. However, there is a high probability that in the years ahead there will be a decline in electricity prices. In addition, in accordance with the Electricity Authority's publications, it intends to change the energy demand management tariffs, and move peak hours to hours when solar Systems are inactive. Such a change may harm revenues and the return of Projects based on self-consumption.

4.13.2.5 Weather Conditions and Climate Change - The Group's ability to generate electricity in solar energy Systems, and the Group's revenues from the sale of such electricity, are greatly affected by weather conditions (radiation levels and hours, temperature conditions, wind Systems and other climatic parameters). Heavy cloud cover and inclement weather conditions can significantly affect the output of solar panels in a given season, and, as a result, the Group's revenues. It thus follows that a major

change in the climate can affect the income of the Group's Companies and the results of their activities. In addition, extreme weather conditions may also result in delays in the construction of Projects or extreme cases, delays in the shipment of equipment and temporary shutdown of power generation Systems. In addition, weather conditions may also have an impact on electricity prices, and correspondingly on the Company's revenues in markets where the Company has market exposure to electricity prices.

4.13.2.6 Increase in Input Prices - Increases in the prices of the components used by the Group (including the prices of the photovoltaic collectors, converters, buoys, etc.), may affect the Group's profitability, and consequently the economic viability of the Systems, if there is no correlation between the cost of the components and the tariff obtained from the sale of electricity. It should be noted that by 2020 (inclusive) there has been a consistent drop in the prices of the various components. However, during 2021 there was an increase in the prices of the various components.

4.13.2.7 Delays in Component Delivery Times - The Group is vulnerable to disruptions in the supply of components for the various Systems, for a variety of reasons (such as supply line disruptions, the closure or shutdown of ports due to security, health or strike events). In such cases, System construction may be delayed, leading to failure to comply with timetables and consequent forfeiture of guarantees provided by the Group's Companies.

4.13.2.8 Costs of Contractors and Subcontractors: The construction activity of the Systems is carried out, inter alia, through subcontractors. Accordingly, this mode of execution makes the Group vulnerable to any changes in the costs of employing subcontractors, and this could impair the economic viability of the various Projects. In parallel, the execution of some of the initiatives in Europe is planned to be executed mainly through contractors (including their subcontractors). This exposes some of the Group's activities in Europe to changes in the costs of the contractors (including their subcontractors), and this risks negatively affecting the economic viability of the various Projects in Europe.

4.13.2.9 Exposure to the volume of electricity consumption and to the engagement in power sales agreements with the customers in the System's premises - The Group's revenues from Systems operating under consumer Regulations as well as the revenues of Blue Sky are received from the consumers or the administrators on whose premises the Systems are constructed. Therefore, any difficulty in entering into an agreement for the sale of electricity by consumers located within the Systems' premises, any decrease in the volume of electricity consumed by the consumer or customers within the System premises, customers leaving or the taking out of insolvency proceedings against the consumer, will likely have a negative impact on the income of the Project Corporation, and hence on the income of the Group. Accordingly, a decrease in electricity consumption, as well as errors in calculating the customers' electricity consumption at the time of the construction of the Project, difficulty in entering into an agreement for the sale of electricity and termination of the customers' activity may result in a

decrease in the revenues received from these Systems or in the lack of revenues compared to the Company's estimates.

4.13.2.10 [Dependence on the Electric Corporation](#) -As specified in Section 3.1.5 above, a portion of the Group companies' income is received from the IEC. In addition, connection of Systems under construction in pre-construction and in licensing, where the Systems will operate under competitive procedures and tariff Regulation, is expected to significantly increase the income of the Group's Companies from the IEC. There is, however, a risk that, if insolvency proceedings are filed against the IEC, the income of these companies will be harmed. On the other hand, given the strength of the IEC's position in the Israeli economy, the risk that the IEC might default on its obligations is low.

4.13.2.11 [Violations by a System Manager or an Essential Service Provider](#) - The electric power supply generated at the Group's Facilities via the electricity grid, and its sale depends inter alia on the availability of the electricity grid to receive it. Violations by the electricity grid manager or an essential service provider responsible for the operation of the grid and receipt of the generated electricity, may cause exposure to the Group due to electricity that will not be transmitted into the grid and no consideration will be received for it.

4.13.2.12 [Integrity of Facilities, Natural Disasters and Terrorism](#) - The Group's revenues depend on the integrity of its Systems and the generation of electric power by them. Thus, the Group is vulnerable to the natural wear and tear in its Systems, as well as any problems with their integrity of operation. The group may also be exposed to terrorist incidents, willful damages, accidents, thefts, fires, and the like. These could all result in delays in planned Project schedules and in additional costs. It is appropriate to note here that some such damaging events should be covered, at least in part, by various insurance policies.

4.13.2.13 [Real Estate Exposure](#) - The construction of electric power generation Systems requires the creation of a connection to the land on which the Systems are located and the receipt of various permits and approvals for the infrastructure transfer and equipment placement required for the Group's Systems. The costs associated with creating the supply connection may have a material impact on the level of profitability and viability of Projects promoted by the Group. These costs may be significant, in particular within the framework of operations in Europe, when connecting ground Systems in Europe to the electricity grid, from the real estate on which the System is installed, may require cooperation with neighboring landowners and the construction of a substantial and/or common infrastructure for connecting high-voltage Systems, including obtaining usage rights from neighboring landowners, long-distance power lines, as well as the deployment of sub-stations for converting low voltage to high voltage within the power grid. In addition, damage to the easement in the land intended for the construction of the Group's Systems as a result of the violation of the land agreements by virtue of which the easement is generated may cause delays in the construction of the

Projects or their cancellation. In this context it should be noted that in accordance with Polish law, in some cases in the case of realization of a real estate lien, the lien holder is entitled to cancel the lease agreement in relation to the real estate lien.

4.13.2.14 [Failure to comply with the timetables for the construction of solar Systems](#) - should the Group's Companies fail to meet the timetables for the construction of solar Systems set forth in the various Regulations or the deadlines set forth in the connection certificates, they may be subject to the loss of the quota or the approval of the connection, and sometimes also forfeiture of the guarantees granted by the Group's Companies as part of winning the competitive process or as part of the connection. Also, in the event of non-compliance with the set timetables, additional unplanned costs may be imposed on the Group's Companies, including additional material financing costs.

4.13.2.15 [Competition](#): The renewable energy sector is evolving and attracting many business initiatives, and therefore the competition in the industry is great and is expected to continue to increase. Extensive competition in the industry may adversely affect the Group's ability to win Projects or receive production quotas, and as a result its plans, revenues and cash flow. In addition, massive entry of competing solar energy Projects, whether through sales at market prices or within the framework of tariff tenders, in markets relevant to the Group's activity where electric power is sold to the network at market prices, may lead to an effect where, during the hours when the Group's solar energy Projects are generating electricity, electricity prices drop more than the average drop in electricity prices due to an effect known as "cannibalization".

4.13.2.16 [Limited manufacturer's warranty, wear & tear, loss of output Capacity and equipment repair expenses](#)- The manufacturers' warranty for the equipment used for constructing and operating the power generation Systems is limited (whether due to expiration of the manufacturer's warranty period or due to the non-applicability of the manufacturer's warranty on a particular component) and it is often very difficult to enforce. Therefore, the monitoring of events requiring equipment repair and/or replacement is liable to cause the Group's Companies to incur financial costs, which could be damaging to the Company's financial results and oblige the Group's Companies to invest heavily.

4.13.2.17 [Safety](#): The activities conducted by the Company in the field of construction and maintenance involve safety risks arising from the execution of contract works, work at height, electrical works, and more. The Company takes all necessary safety precautions to prevent work accidents or safety risks. Such events are liable to cause the Company and its employees physical, emotional and financial harm, and even to damage the Company's name and financial status. The company has insurance policies covering claims in respect of both bodily and property damage. In cases where the insurance policies do not cover all such damages, in whole or in part, the Group may be liable to pay out substantial sums to the injured parties.

4.13.2.18 [Competition for the network resource](#) - The company's activities in the various territories are characterized by competition in relation to achieving a commitment to a date of connection to the network from the competent entity (distribution companies, conduction, System administrators, etc.). Not only do these processes involve in most cases the provision of guarantees in high amounts, they also involve an element of uncertainty in relation to the connection date that is not dependent on the Company. Insofar as the competent entity does not have the ability to connect the Company's Facilities to the network, then in most cases the commercial operation of the Facility will be postponed and, accordingly, the expected revenues that the Company predicted may not materialize. In addition, in the event of a lack of network connection capability, the Company may be exposed to losses of the funds it has paid or the guarantees it has provided for connection costs.

4.13.2.19 [Cyber risks](#) - The Company carries out ongoing use of technology, information, communication and data processing Systems. Any damage to these Systems may expose the Company to delays and disruptions in the supply of electricity produced by the Company's Facilities and/or cause damage to the information held by the Company. In addition, the Company has various databases (suppliers, customers, Partners, payments, employees, etc.) used by the Company for its ongoing activities. For the purpose of documenting the databases, the Company utilizes, among other things, various technology Systems. The Company operates with the assistance of various external consultants to protect its various Systems against cyber-attacks and maintain the ability to recover quickly in the event of an attack. However, certainty is impossible in relation to the Company's ability to prevent cyber-attacks. The occurrence of such an event may have a material effect on the Group's operations. In addition, the Group may be required to bear the costs of protecting the Information Systems, as well as to repair damage caused by such attacks, should they occur.

4.13.3 **Special Risk Factors**

4.13.3.1 [Early Termination of leasing agreements](#) - Some of the Systems held or promoted by the Group are located on real estate owned by the Company's Partner in the Joint Project Corporation (System owner), or a third party, by virtue of leasing agreements. Some leasing agreements include clauses with conditions of suspension and termination of contract. In addition, the leasing agreements can be revoked by either party in the event of a material contractual breach. If the agreement is terminated, the Project Corporation (System owner) is obligated to vacate the land according to the timetable specified in each agreement.

4.13.3.2 [Early termination of electricity sales agreements to end-consumers](#) - As stated above, part of the electricity produced by the Group's Companies in Israel is sold to consumers (some are located in the vicinity of the System and for some a virtual sale is made). There is some risk that if an end-customer enters insolvency proceedings, or leaves the System premises, the Project Company (which owns the

System that sells the electricity to the consumer) will not be able to collect the full amount due to it from the end-customer.

4.13.3.3 Termination of contract with contractors and subcontractors - As stated above, the Group's activities in Europe and the United States involve contracting with local contractors to carry out all the construction and maintenance work (including through their subcontractors). There is some risk that, if contracts with any of the contractors are terminated early, this will result in a delay in the System deployment and/or affect the Group's profitability. Furthermore, as stated above, within the scope of its construction and maintenance activities, the Company uses subcontractors, amongst others. There is risk that in the case of early termination of engagement with any of the Group's subcontractors, this is liable to delay System construction and adversely affect the Group's profitability.

4.13.3.4 Activity with Partners: The Group's activity is based on cooperation agreements with third parties in Israel, Europe and the United States. Also, most of the photovoltaic Systems are set up in collaboration with Partners. There is some risk that disputes could arise between the Company and its Partners in a manner liable to delay their deployment of the Systems. There is also some risk one of the Partners might encounter difficulties, which could have an impact on the activities both of the Company and of the Partner.

4.13.3.5 Dependence on Tax Partners and meeting the conditions required to receive tax benefits in the United States - The construction of Systems in the United States is based on a tax incentive regime that allows the Project Company to introduce a Tax Partner - with significant tax liabilities - who invests in the Project Company at the time of connecting the Project to the electricity grid, in return for receiving most of the tax benefits for the Project. Failure to extend the Regulation, elimination of tax benefits, as well as difficulty in locating Tax Partners may cause an increase in equity that the Project companies will be required to provide for the construction of the various Projects.

The following are the Company's assessments regarding the extent of the impact of such risk factors on the Group:

	Risk Factor Impact Level		
	High Impact	Medium Impact	Low Impact
Macroeconomic Risks			
Lack of sources of financing and changes in interest rates	X		
Exposure to changes in exchange rates	X		
Exposure to changes in the index (in Israel)	X		
The state of the economy	X		
Costs of input prices	X		
Global changes in supply chain and shipping costs	X		
The security situation in Israel			X

	Risk Factor Impact Level		
	High Impact	Medium Impact	Low Impact
Gas and oil prices			X
The Coronavirus crisis		X	
Industry Sector Risks			
Failure to publish quotas and win competitive proceedings (in Israel)	X		
Changes in the regulatory environment	X		
Dependence on obtaining permits and approvals	X		
Electricity tariffs	X		
Weather conditions and climate change			X
Rising input prices		X	
Delays in component delivery times		X	
Cost of contractors and subcontractors			X
Exposure to the scope of electricity consumption			X
Dependence on an Electricity Company		X	
System violations by an administrator or essential service provider			X
Integrity of the Facilities, natural disasters and terrorism			X
Exposure to real estate issues			X
Non-compliance with set timetables			X
Competition			X
Limited manufacturer warranty, wear & tear, loss of output and equipment repair costs			X
Safety		X	
Competition for the network resource	X		

	Risk Factor Impact Level		
	High Impact	Medium Impact	Low Impact
Cyber Risks		X	
Special Risks			
Early termination of leasing agreements			X
Early termination of electricity sales agreements for end-consumers		X	
Termination of contract with contractors and subcontractors			X
Joint activity with Partners		X	
Dependence on Tax Partners and compliance with the conditions required for obtaining tax benefits		X	

The information regarding the above risk factors and their effect on the Company is a forward-looking statement, as this term is defined in the Securities Law. This information is based, inter alia, on the Company's assessments based on past experience and familiarity with the markets relevant to its fields of activity and information on regulatory developments relevant to the Company's fields of activity. The Company may be exposed to additional risk factors in the future and the impact of any risk factor that may arise may differ from these Company assessments. As stated, forward-

looking statements are based on data existing within the Company at the time of the report. The actual results may differ materially from the results estimated herein or deduced from this information.

Date: March 29, 2022

O. Y. Nofar Energy
Ltd.

By:

Ofer Yannay, Chairman of the Board of Directors
Nadav Tene, Chief Executive Officer





Board of Directors Report on the Status of Corporate Affairs for the Period Ending December 31, 2021

The Board of Directors O.Y. Nofar Energy Ltd. (hereinafter: **the "Corporation"** or **the "Company"**) hereby presents the Board of Directors report on the status of corporate affairs as of December 31, 2021 (hereinafter: **"Financial Status Report Date"**) and for the year ending on the Financial Status Report Date (hereinafter: **the "Reporting Period"**), in accordance with Regulation 10 of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. All data in this report relate to the Company and its subsidiaries under its control (hereinafter collectively: **the "Group"**), unless otherwise stated.

1. Explanations of the Board of Directors regarding the business status, the results of operations, equity and cash flows of the Corporation

1.1 General

The Company was incorporated as a private company in April 2011. During December 2020, the Company and its controlling shareholder completed an IPO, a sale offer and listing of its shares on the Tel Aviv Stock Exchange Ltd. As of that date, the Company has been a public company (as this term is defined in the Companies Law).

1.2 Company Activities

The Company, as of the date of the report, engages itself and via corporations held by it, directly and through concatenation, including in collaboration with third parties, in long-term initiation and investment activities in "clean" energy solar systems and battery storage systems in Israel, the United States and Europe, as well as in the establishment (EPC), operation and maintenance (O&M) of solar systems in Israel, mainly for corporations held by it, including in collaboration with third parties.

Among the Group's activities are the initiation and development of solar projects, from the preliminary stage to their development into long-term investments, in Israel, Europe, and the United States. These projects include large systems in Europe, which connect to the high-voltage transmission grid, with a capacity of hundreds of megawatts, through solar systems

and storage systems in Israel, Europe and the United States, which connect to the high-voltage or low-voltage distribution grid, as applicable.

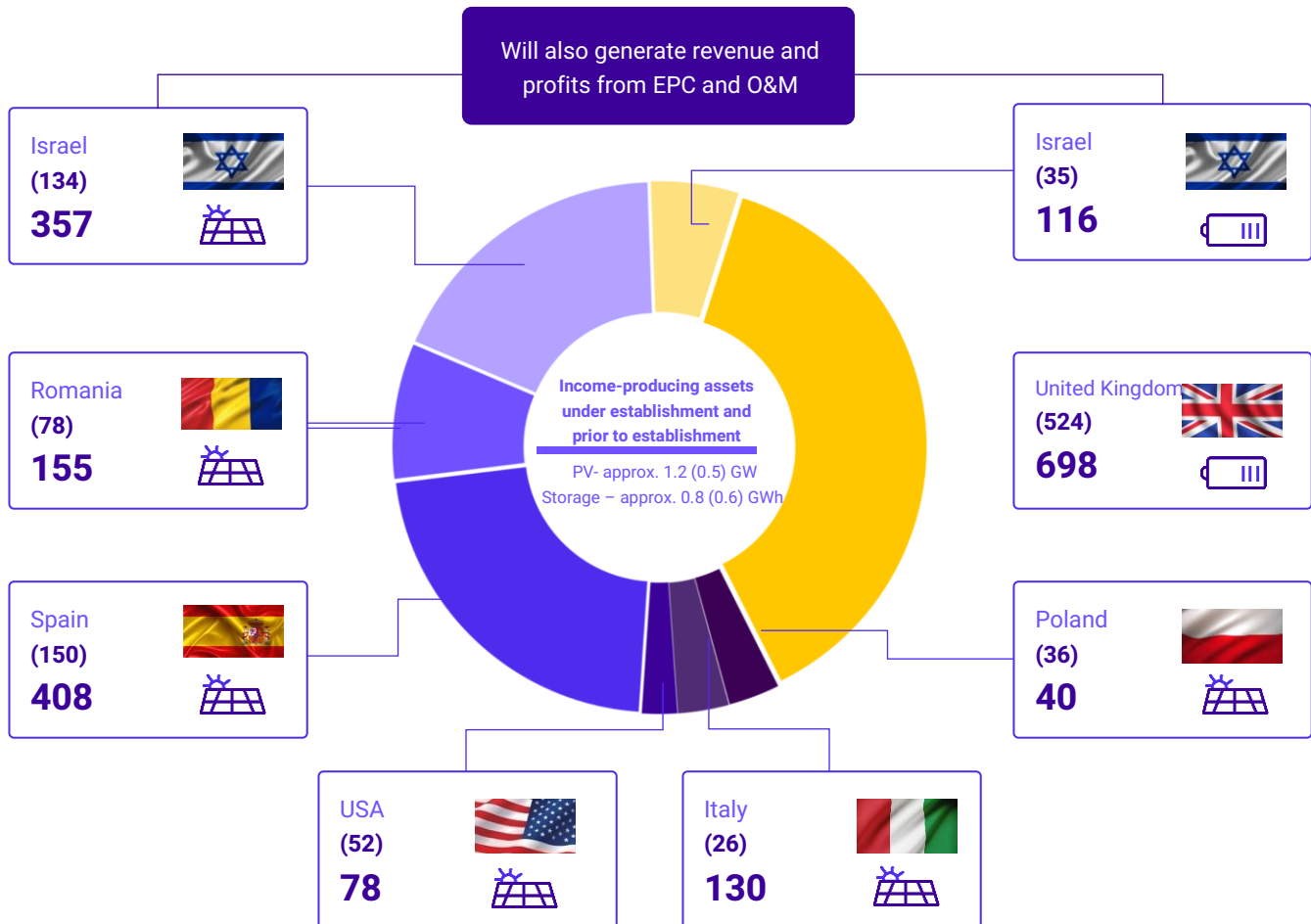
For details regarding the Company's areas of activity as of the date of the report, see Sections 1.2.2, 1.3, 3.1, 3.2 and 3.3 to the Corporate Business Description chapter - Part A of the Periodic Report for 2021, as well as Note 26 to the Financial Statements.

For details regarding the Company's business environment, see Sections 2.2, 3.1.1, 3.2.1 and 3.3.1 of the Corporation's Business Description Chapter - Part A of the Periodic Report for 2021.



1.3 Key Company Operation Indicators

Significant accumulation of income-producing projects, under establishment and prior to establishment, characterized by high rates ¹ 100% data, the Company's share presented in parentheses'



Expected aggregate revenues from the sale of electricity in the first year of income-producing projects prior to, and under establishment 875,000 NIS¹ (415,000 NIS on part of the Company).

¹ In terms of tariffs defined in the competitive procedures for land-based systems, combined photovoltaic and stockpiling facilities and dual-purpose facilities. The expected aggregate revenue from the sale of electricity is projected information, as defined in this term in the Securities Law, which includes the Company's estimates of the full first year's income of each of the projects listed in the table in Section 1.4 below (assuming that all of the projects were connected at that date and the assumptions set forth in Section 1.4 below are met).

Goals for the Year Ending in 2022 (100% discount) *



1 GWh

Connected and ready for connection and prior to and under establishment.



1 GW

Prior to and under establishment



1 GW

Connected Ready for connection



*For details regarding the Company's plans and objectives for the coming year, see Sections 4.10 and 4.11 in the Description of the Corporation's Business chapter. It should be emphasized that the Company's objectives and forecasts are projected information, as this term is defined in the Securities Law, substantially based on the Company's expectations and assessments regarding future economic, industrial and other developments, and their integration. According to Sections

1.4 Main data regarding commercially operated systems, readiness for connection, establishment, prior to establishment and progressive development

The following are tables that summarize the data of the Group companies' systems (according to 100%) commercially operated, ready for connection, establishment , prior to establishment, advanced development and progress:

Commercially Operated Systems

		Israel ⁽¹⁾			USA ⁽⁵⁾	1,250
		Net Meter	Tariffs	Competitive Procedures		
Tariff Range ⁽²⁾ (NIS/kWh, for 31.12.2021)		0.31-0.47	0.37-1.89	0.23-0.28	0.47-0.62	---
Number of Systems	31.12.19	83	146	---	---	229
	31.12.20	106	550	---	---	656
	31.12.21	111	739	40	17	907
Total Power Installed (KWp) (100%)	31.12.19	40,314	10,224	---	---	50,538
	31.12.20	50,854	43,821	---	---	94,675
	31.12.21	54,095	76,730	32,633	11,157	174,615
Total Establishment Costs (thousands of NIS)	31.12.19	173,971	60,643	---	---	234,614
	31.12.20	222,218	301,315	---	---	523,533
	31.12.21	252,475	419,966	97,899	115,156	885,495
Total Secured Debt Balance (thousands of NIS)	31.12.19	108,099	27,415	---	---	135,514
	31.12.20	123,841	106,713	---	---	230,554
	31.12.21	222,340	369,839	86,214	42,470	720,863
Balance of Senior Debt Period, in Years (Weighted Average)	31.12.21	16.8			3.93	---
Income (Thousands of NIS)	2019	16,237	8,376	---	---	24,613
	2020	26,025	22,427	---	---	48,452
	2021	32,831	63,350	2,878	5,445	104,505
Tax Equity Revenue	2021	---	---	---	435	435
Total Revenue (Thousands of NIS)	2021	32,831	63,350	2,879	5,880	104,940
Total EBITDA Project ⁽³⁾ (Thousands of NIS)	2019	15,187	3,851	---	---	19,038
	2020	18,930	16,311	---	---	35,241
	2021	21,442	46,964	1,790	4,005	74,179

		Israel ⁽¹⁾			USA ⁽⁵⁾	1,250
		Net Meter	Tariffs	Competitive Procedures		
Total FFO Project ⁽³⁾ (Thousands of NIS)	2019	10,852	2,753	---	---	13,605
	2020	13,237	11,406	---	---	24,643
	2021	12,668	35,340	967	1,349	50,324
Total Available Income after Senior Debt Service (Thousands of NIS)	2019	2,050	520	---	---	2,570
	2020	3,539	3,050	---	---	6,589
	2021	4,923	13,733	376	(1,876)	17,156
Linked Company Holdings Rate ⁽⁴⁾ , (Calculated Average)	31.12.19	43%	31%	---	---	41%
	31.12.20	42%	29%	---	---	36%
	31.12.21	42%	33%	41%	67%	37%

⁽¹⁾ In Project Corporations that include systems under different regulations, the data was split according to the ratio of the system suppliers.

⁽²⁾ The range of tariffs in systems compiled via a net meter regulation stems mainly from the fact that the tariffs in these projects are based on load and time tariffs, which vary depending on the months of the year and consumption hours. The balance of the accounting period for these systems ranges from 18 to 24 years (approximately 22 years according to a weighted average). The range of tariffs in systems operating under tariff regulations stems from the fact that over the years the guaranteed tariffs have been reduced in new systems established by virtue of these regulations. The balance of the guaranteed tariff period for systems ranges from 10 to 25 years (approximately 20 years at a guaranteed tariff of approximately NIS 0.709/kWh, according to a weighted average, taking into account the systems' supplies after degradation).

⁽³⁾ As noted above, most Project Corporations in Israel own a number of systems operating by virtue of a number of regulations. Accordingly, the classification of income, secured debt balance, EBITDA, FFO and available income after debt service between the various types of regulations is calculated according to the system suppliers and the estimate of the total hours of operation in a calendar year (between 1,700 and 1,750 hours).

As detailed below, the EBITDA and FFO indices were calculated by arithmetically averaging the financial statements of the various Project Corporations (without considering the Company's holdings rate). It should be emphasized that these **financial indicators are not based on generally accepted accounting principles**. The vast majority of the systems in Israel are held by corporations jointly owned by the Group companies and third parties (usually the owners of the real estate rights). The equity method is used to account for the Group's accepted contractual characteristics, as detailed in Note 2 of the Company's financial statements. Due to this method, the results of the companies are not revealed in detail in the financial statements of the Company (income, expenses, etc.), but rather as a single "net" amount that does not enable any of the above indices to be calculated directly from the financial statements. Therefore,

in the Company's opinion, it is important to present the total revenue and financial indices as stated, in a manner that allows readers of the report to evaluate and analyze the results of the various systems.

The EBITDA index is an accepted index in renewable energy projects, which represents the operational efficiency of the systems and is used by the decision-makers in the Company. The Project Corporations' data is used in the calculation of the index, which is calculated as gross profit (revenue from electricity generation less operating and maintenance costs), minus systems, depreciation.

The FFO index is calculated on the basis of the EBITDA index, taking into account financing expenses in respect of senior debt loans. This index is an accepted index in renewable energy projects, reflecting the ability of the senior debt fund to service out of the receipts generated by the systems.

In adjusting the equity method, the Company cancels its share of each of the indices (revenue, EBITDA, FFO, and available income) of the included companies, which are presented in the financial statements in accordance with the equity method.

The following are calculations of the systems' indices (according to 100% data), in accordance with the above (in thousands of shekels):

	2021	2020	2019
Gross Profit	40,259	19,520	10,892
Systems Depreciation	33,920	15,721	8,146
EBITDA	74,179	35,241	19,038
Senior Debt Financing Expenses	23,856	10,598	5,433
FFO	50,324	24,643	13,605

The following are adjustments between the aggregate project data and the statement of profit or loss and comprehensive income in the Company's financial statement (in thousands of shekels):

For the year ending December 31, 2021:

	Aggregated Data	Adjustments in respect of the results of Sky Blue prior to its acquisition by the Company	Adjustments in respect of the share in investee companies that are not held by the Company	Data including the Company's share in the investee companies (Note on segments)
Revenue	104,940	(3,619)	(63,572)	37,749
EBITDA	74,179	(3,501)	(44,759)	25,920
FFO	50,324	(1,824)	(44,490)	4,010 *
Available Income	17,156	(230)	(15,920)	1,006 *
Equity Losses	---			211

For the year ended December 31, 2020:

	Aggregated Data	Adjustments in respect of the share in investee companies that are not held by the Company	Data including the Company's share in the investee companies
Revenue	48,452	(28,591)	19,861
EBITDA	35,241	(21,261)	13,980

	Aggregated Data	Adjustments in respect of the share in investee companies that are not held by the Company	Data including the Company's share in the investee companies
FFO	24,643	(14,919)	9,724 *
Available Income	6,589	(3,897)	2,691 *
Equity Losses	---	---	952

For the year ended December 31, 2019:

	Aggregated Data	Adjustments in respect of the share in investee companies that are not held by the Company	Data including the Company's share in the investee companies
Revenue	24,613	(14,827)	9,786
EBITDA	19,038	(12,176)	6,861
FFO	13,605	(9,806)	3,800 *
Available Income	2,570	(1,353)	1,217 *
Equity Losses	---	---	3,523

* Note on segments including data regarding revenues and EBITDA. For details regarding how to connect the FFO and the free cash flow, see the table above.

(4) The Company's holdings rate is calculated as a calculated average, linked, in relation to the system suppliers. The vast majority of Project Corporations require permits to conduct their operations, and for projects on repositories, direct lease agreements with the I.L.A. are required.

(5) The data for the systems in the USA are based on the financial statements of Blue Sky and on the exchange rates as of the date of the report (3.110 NIS per USD) and the average exchange rate for the reporting period (3.194 NIS per USD), as applicable. It should be noted that in companies that hold projects there is a tax partner. Agreements with tax partners stipulate arrangements regarding the manner of distribution of profits from the project between the Portfolio Company that owns the project and the tax partner, for defined periods as specified in the agreement. EBITDA and available cash flow are presented net after payment of the partner's share. Furthermore, it should be noted that the sale of electricity by Blue Sky is carried out via electricity sales agreements between the Project's Corporations and end customers. As of the date of the report, part of the electricity produced in the system is not sold in full. Accordingly, Blue Sky works to contract with the end customers in relation to all the power produced in the facility, in order to ensure payment for all the power produced in each system. Accordingly, the total revenues listed in the table do not reflect the full potential of revenues from the sale of Blue Sky electricity.

As of the date of the report, the Group holds two stockpiling systems with a total output of 5.9 megawatts (Company share 25%), which were connected during the year and are under commissioning procedures. Accordingly, the report does not include data regarding these systems.

Systems connected after the report date and systems ready for connection ⁽¹⁾

Country	Israel		Italy	USA	Spain	1,250
Segment/Project Name	Tariffs	Tenderers	Sunprime	Blue Sky	Olmedilla	
Predicted Power (MWp)	36.4	44.3	9.8	3.4	169.0	263.0
Weighted Rate (NIS)	0.45	0.25	0.34	0.56	26.0	---
Projected annual production hours (KWh/KWp)	1,750	1750	1,150	1,663	2,180	---
Expected revenue for the first full year of operation ⁽⁵⁾⁽⁶⁾	28.6	19.6	3.8	3.2	94.9	150.0
Total Predicted Construction Costs ⁽³⁾⁽¹¹⁾	106.2	145.9	26.8	26.4	455.1	760.3
Predicted Operating Cost for First Operation Year ⁽⁶⁾⁽⁷⁾	7.1	6.7	0.5	0.7	14.1	29.0
Predicted EBITDA for First Operation Year ⁽⁶⁾⁽⁷⁾	21.6	12.9	3.3	2.4	80.8	121.0
Predicted Leverage Rate (Senior Debt) ⁽¹¹⁾	85%	85%	75%	13%	55%	---
Predicted Loan Period (years) ⁽⁴⁾	20 - 24	20 - 24	19	20	18	---
Predicted FFO for the First Year of Operation ⁽⁶⁾⁽⁸⁾⁽⁹⁾	19.3	8.1	2.6	1.8	73.8	105.6
Tax Equity Investment Rate	---	---	---	13%	---	---
Holding Rate ⁽¹⁰⁾	39%	41%	20%	67%	38%	---

Systems under construction or in preparation for construction⁽¹⁾

Country	Israel			Spain		Romania	Italy	USA	Poland	United Kingdom	Israel	1,250
	Tariffs	Tenderers	Default	Sabinar 1	Sabinar 2	Ratesti	Sunprime	Blue Sky	Cybinka	Cellarhead	Storage in Israel	
Predicted Power (MWp)	68.6	41.3	2.5	155.5	83.0	155.0	120.2	63.1	40.0	---	---	729.2
Predictive Storage Capacity (MWh)	---	---	---	---	---	---	---	---	---	698.0	110.2	808.2
Weighted Rate (NIS)	0.44	0.24	0.28	26.0	26.0	0.31	0.33	0.55	0.25	---	---	---
Predicted Annual Production Hours (KWh/KWp)	1,750	1,750	1,750	2,123	2,123	1,370	1,231	1,663	1,046	---	---	---
Expected revenue for the first full year of operation ⁽⁵⁾⁽⁶⁾	52.6	17.1	1.2	85.0	45.4	64.8	48.5	57.6	10.5	176.1	7.7 - 16.5	566.5 - 575.3
Total Predicted Construction Costs ⁽³⁾⁽¹¹⁾	198.4	127.0	8.1	481.4	257.0	359.6	295.4	519.2	80.1	900.5	119.9	3,346.6
Invested Equity Ratio as of 31/12/2021	57%	59%	49%	100%	100%	51%	10%	5%	6%	---	35%	---
Predicted Operating Cost for First Operation Year ⁽⁶⁾⁽⁷⁾	13.4	5.9	0.4	11.0	5.9	13.7	4.9	13.7	2.1	27.8	0.9	99.7
Predicted EBITDA for First Operation Year ⁽⁶⁾⁽⁷⁾	39.1	11.1	0.9	74.0	39.5	51.1	43.6	43.9	8.4	148.3	6.8 - 15.6	466.8 - 475.7
Predicted Leverage Rate (Senior Debt) ⁽¹¹⁾	85%	85%	85%	55%	55%	50%	75%	13%	69%	9%	80%	---
Predicted Loan Period (years) ⁽⁴⁾	20 - 24	20 - 24	20 - 24	22	22	15	19	20	17	10	15	---
Predicted FFO for the First Year of Operation ⁽⁶⁾⁽⁸⁾⁽⁹⁾	34.9	8.4	0.7	65.6	35.0	46.1	35.9	35.6	5.6	129.4	4.4 - 13.2	412.2 - 412.2

Country	Israel			Spain		Romania	Italy	USA	Poland	United Kingdom	Israel	1,250
Segment/Project name	Tariffs	Tenderers	Default	Sabinar 1	Sabinar 2	Ratesti	Sunprime	Blue Sky	Cybinka	Cellarhead	Storage in Israel	
Tax Equity Investment Rate	---	---	---	---	---	---	---	13%	---	---	---	---
Projected Construction Completion Date ⁽²⁾	2022 - 2023	2022 - 2023	2022 - 2023	H2/2022	H2/2022	H1/2023	2022 - 2023	2022 - 2023	H2/2023	H2/2024	2022 - 2023	---
Holding Rate ⁽¹⁰⁾	36%	36%	25%	36%	36%	50%	20%	67%	90%	75%	30%	---

Licensed Systems ⁽¹⁾

Country	Israel			USA	Italy	Poland						Israel	1,250
Segment/Project name	Tariffs	Tenderers	Default	Blue Sky	Sunprime	Jozefin	Swiercwo	Thumos Small Projects	Krzywinkie	Dziewokucz	Bakalarzwo	Storage in Israel	
Predicted Power (MWp)	59.5	111.9	7.2	42.0	50.5	50.0	68.7	26.5	20.0	20.7	150.0	---	607.0
Predictive Storage Capacity (MWh)	---	---	---	---	---	---	---	---	---	---	---	650.0	650.0
Weighted Rate (NIS)	0.45	0.20	0.28	0.55	0.32	0.24	0.24	0.24	0.24	0.24	0.24	---	---
Projected annual production hours (KWh/KWp)	1,750	1,750	1,750	1,485	1,150	1,026	1,026	1,026	1,059	1,128	1,046	---	---
Expected revenue for the first full year of operation ⁽⁵⁾⁽⁶⁾	46.7	39.6	3.5	34.3	18.6	12.1	16.7	6.4	5.0	5.5	37.1	45.5 - 97.5	271.2 - 323.2
Total Predicted Construction Costs ⁽³⁾⁽¹¹⁾	172.3	316.9	23.7	348.8	124.1	96.7	132.8	53.1	51.5	52.9	308.6	707.5	2,388.9
Predicted Operating Cost for First Operation Year ⁽⁶⁾⁽⁷⁾	11.7	13.5	1.0	9.2	2.1	2.3	3.1	1.4	1.1	1.1	6.9	5.5	58.8

Country	Israel			USA	Italy	Poland						Israel	1,250
Segment/Project name	Tariffs	Tenderers	Default	Blue Sky	Sunprime	Jozefin	Swierczewo	Thumos Small Projects	Krzywinkie	Dziewokucz	Bakalarzewo	Storage in Israel	
Predicted EBITDA for First Operation Year ⁽⁶⁾⁽⁷⁾	35.1	26.1	2.5	25.1	16.6	9.9	13.5	5.0	4.0	4.4	30.3	40.0 - 92.0	212.4 - 264.4
Predicted Leverage Rate (Senior Debt) ⁽¹¹⁾	85%	85%	85%	13%	75%	64%	62%	9%	45%	55%	57%	80%	---
Predicted Loan Period (years) ⁽⁴⁾	20 - 24	20 - 24	20 - 24	20	19	17	17	17	17	17	17	15	---
Projected FFO for the first year of operation ⁽⁶⁾⁽⁸⁾⁽⁹⁾	31.4	19.4	2.0	16.5	13.3	6.8	9.4	3.4	2.8	3.1	21.5	25.8 - 77.8	155.3 - 207.3
Tax Equity Investment Rate	---	---	---	13%	---	---	---	---	---	---	---	---	---
Projected Construction Completion Date ⁽²⁾	2023	2023 - 2024	2023 - 2024	2023 - 2024	2023 - 2024	H2/2024	H2/2024	H2/2024	H2/2024	H2/2024	H2/2024	2023 - 2024	---
Holding Rate ⁽¹⁰⁾	32%	49%	13%	67%	20%	90%	90%	90%	72%	72%	65%	35%	---

Systems Under Development ⁽¹⁾

Country	Israel			Italy	USA	Poland	1,250
Power (MW)	Ground	Rooftops	Reservoirs	Sunprime	Blue sky	Electrum-Nofar	
Power (MW)	323.0	159.6	156.0	81.5	207	222	1,149
Holding Rate ⁽¹⁰⁾	25%	30%	50%	20%	67%	72%	----

The balance of advance expenses in respect of projects under development amounted, as of December 31, 2021, to a total of approximately 15,010,000 NIS.

- (1) The figures in the table are in nominal terms, without taking into account future changes in the index in the various countries. The data in relation to projects in Spain, Romania and Italy are based on the exchange rate of 3.5199 NIS per EUR; the data in relation to projects in the United States are based on the exchange rate of 3.110 NIS per USD; the data in relation to the United Kingdom are based on the exchange rate of 4.2031 NIS per GBP.

Regarding projects under development and advanced development, the data in the table is based on the assumption that all establishment permits required will be obtained, including confirmation of a place in the grid (confirmation of connection to the grid), completion of the planning procedures required for the establishment of the systems, etc. At the time of the report, the Company is unable to assess the possibilities of completing such procedures for all projects.

Regarding the system suppliers and predicted completion dates - the estimates listed in the table above are based on the Company's estimates based on approvals received up to the date of the report and/or the area of land on which the system is intended to be established, the information provided to the Company by the local partner, information provided to the Company as part of due diligence performed by the Company in relation to the various projects, or based on the Company's estimates. In view of the initial stages of project development, as well as the regulatory approvals required for their establishment, as of the date of the report, there is no certainty as to the realization of the projects, their implementation and realization in the capacity and dates, listed in the table.

In addition, for the projects in Poland and the UK, the data in the table are based on the assumption that the projects will reach readiness for establishment under the conditions specified in the purchase agreement, and that the Company will complete the transaction to purchase the rights therein.

- (2) The projected operating dates of the projects in Israel are based on the dates set forth in the various regulations and the Company's estimates. The projected operating dates of the Olmedilla Project, the Sabinar Project and the Ratesti Project are based on the deadlines defined in the Projects Establishment Agreements (regarding Sabinar 2 - the date discussed with the Construction Contractor). The contractual operating dates of the Projects in Poland and the Cellarhead Project are based on the dates specified in the Connection Certificates or Electrum Evaluations and External Consultants for the Connection Date. Sunprime's projected launch dates

are based on the Sunprime Management's assessment of the rate of progress in the establishment of the projects. Blue Sky Projects projected launch dates are based on the Company's assessment of the rate of progress in the establishment of the projects.

- (3) Regarding systems for which the terms of the purchase of the parts of the systems have yet to be agreed and/or the terms of the loans to finance the establishment of the systems have yet to be agreed upon, estimates were calculated under similar cost assumptions and financing terms for the projects under establishment, for which such terms were agreed, The set-up costs in relation to the Olmedilla Project and the Sabinar Project are based on the costs of the acquisition of the rights in the Project, the development costs, the establishment costs, payment to local developers and the financing amounts stipulated in the EPC Agreements and also in respect of Olmedilla in the financing agreements. Set-up costs in relation to the Ratesti Project are based on the costs of acquiring the rights in the project, management and consultancy fees, and the amounts stipulated in the Establishment Agreement. Set-up costs in relation to Sunprime's Projects are based on the Sunprime management's estimates that the set-up cost per 1 megawatt installed will amount to approximately 700,000 euro. Set-up costs in relation to projects in Poland are based on the costs of acquiring the rights in the projects, the development costs specified in the various development agreements, the costs of developing the projects by Electrum and the Company's estimates and external consultants regarding set-up costs, based on the Company's estimates. Set-up costs in relation to Blue Sky Projects are based on the set-up costs per kilowatt of the systems under establishment. Set-up costs in relation to the Cellarhead Project are based on proposals received from EPC contractors and estimates regarding related costs.
- (4) Regarding systems in Israel for which the following financing terms have not yet been agreed upon, the leverage rate is based on the leverage rate of the projects under establishment. Regarding the Olmedilla Project, the leverage rate is based on the financing agreement signed in relation to this project and the cost of the project set-up. For details regarding the financing agreement of the Olmedilla Project, see Section 4.5.5 in the Corporate Business Description chapter describing the Corporation's business and Section 3.3.8 in the Corporate Business Description chapter describing the Corporation's business in the periodic report for 2020², Regarding the Sabinar Project, the leverage rate is based on the assumption that the leverage rate and its terms will be similar to the financing conditions of the Olmedilla Project. It should be emphasized that as of the date of the report Sabinar's Project Company no agreements have been reached regarding obtaining financing and there is no certainty regarding the receipt or the terms of such. Regarding the Ratesti Project, a leverage rate of 51% was assumed at an interest rate of 2.8% based on an offer received from a local bank. It should be emphasized that as of the date of the report the Project Company is in negotiations on the matter, however no agreements have been reached regarding obtaining financing and there is no certainty regarding the receipt of such. Regarding Sunprime's Projects, a leverage rate of 75% and interest rate of 2.5% was assumed, based on Sunprime management's estimates regarding considered financing conditions for the establishment of the systems. It should be emphasized that as of the date of the report Sunprime is in negotiations on the matter,

² [The Periodic Report for 2020, that was published in the Magna system on March 30, 2021 \(reference number 2021-01-049992\).](#)

however no agreements have been reached regarding obtaining financing and there is no certainty regarding the receipt of such. Regarding the projects in Poland an indicative financing rate of between 45% and 64% has been assumed, at an interest rate of 5%, assuming a coverage ratio of 1.45. In respect of Blue Sky Projects, it was assumed that the leverage rate would be the same as the leverage rate of commercial operating systems. It should be noted that in addition to the senior debt used to set up the projects, Blue Sky usually enters into agreements with Tax Equity partners, who invest in the Project Companies in exchange for the receipt of federal tax benefits and accelerated depreciation. In this regard, it was assumed that the tax partners will invest a total equal to 40% of the cost of the project, in accordance with the rates invested in relation to projects under commercial operation. Regarding the Cellarhead Project, funding was assumed at a rate of 60%, at an interest rate of 3.5%, based on dialogues with financial advisors.

- (5) The rates and revenues in the table of Israel solar systems include, inter alia, the Company's estimates in relation to the actual system power and the volume of real-time systems' consumption. The revenues in the table of Israel storage systems are based on the assumption of an annual income of between 70 NIS and 150 NIS per KWh in accordance with current energy demand management tariffs and a proposal to change the tariffs in the "Call for Principles for Regulating the Market for Production and Stockpiling Facilities in the Distribution grid".

The tariffs in relation to tariff systems and systems by virtue of competitive procedures are based on the tariffs set in these regulations, plus indexation to the date of the report, and in respect of the regulations that allow self-consumption, and additionally the Company's estimates regarding the volume and consumption regime of customers and the electricity tariffs at the time of the report (with deducted discounts, as applicable) and systemic costs arising from such arrangements. The revenues in the table in relation to systems in Israel are based on a work assumption of an approximate 1,700-1,750 annual hours of sunshine, depending on the location of the project.

Revenues in the table in relation to the Olmedilla Project and the Sabinar Project are based on the tariffs during the first year of operation as determined in the Memorandum of Principles signed in connection with Olmedilla's engagement in the PPA Agreement (for details see the Company's Immediate Report published on March 6, 2022 (reference no. 2022-01-022086), the information contained therein is presented in this report by way of reference), the Company's estimates in relation to the actual output of the systems, and the assumption of 2,180 annual hours of sunlight in Olmedilla and approximately 2,130 annual hours of sunlight in Sabinar. The revenues in the table in relation to the Ratesti Project are based on the forecast of electricity tariffs in the open market in the first year of operation of Ratesti received from an international consulting firm and the assumption of 1,370 annual hours of sunlight. It should be noted that in accordance with estimates received from the external consulting firm, there is expected to be a decrease in electricity tariffs in Romania during the life of the project. The revenues of the projects in Poland are based on the forecast of electricity tariffs on the open market in the first year of operation of each project as described above received from an international consulting firm and a work assumption of between 1,026 and 1,142 solar hours per year, depending on the location of the project. It should be noted that in accordance with the estimates received from the external consulting firm, there is expected to be a decrease in electricity tariffs in Poland during the life of the projects. The revenues in the table in relation to the Sunprime Project are based on the tariffs secured by Sunprime in tenders

(ranging from 85.5, 90 and 102 euro per kWh), which averages approximately 93.4 euro per 1 megawatt hour) and a working discount of 1,225 average hours of sunshine per year. The revenues in the table in relation to the Blue Sky Project are based on the average electricity price forecast and the analysis of green certificate prices provided to the Company by an external and independent service provider, less discounts to lessees in the electricity tariffs and collection of full electricity produced in the systems, estimates regarding the volume of solar hours per year (between 1,485 and 1,750 hours, depending on the geographical location of the system) and estimates that the full amount of electricity produced in the systems will be sold to consumers). It should be noted that during 2021 the average tariff paid to Blue Sky was approximately 16 cents per kWh and that Blue Sky did not allocate all electricity produced in the systems, and accordingly did not collect payments for any electricity produced in its systems. The revenues in the table in relation to the Cellarhead Project are based on the forecast of electricity prices and system services provided to the Company by an external consulting firm.

- (6) (3) 'First Year of Operation' means 12 consecutive months during which, for the first time, the system will not be restricted in electricity supply to the grid in real time, and will bear senior debt payments. Usually, the payment of senior majority payments commences several months after the date of commercial operation.
- (7) (4) The EBITDA index is calculated as the gross profit plus depreciation and amortization and considering estimates regarding ongoing maintenance costs of the system. Regarding the Olmedilla and Sabinar Projects, based on the consideration agreed for the Operating Services under the Operating Agreement (O&M) with the Olmedilla Project Construction Contractor. It was also assumed that the operating costs of the Sabinar Project would be the same and an agreed cost for the services of the local developers. Regarding the Ratesti Project - considering the estimates regarding the ongoing maintenance costs of the system and payment of management fees to Econergy. Regarding Sunprime - Sunprime management estimates in regard to projects' operating expenses. Regarding the projects in Poland, operating expenses were incurred in accordance with the Company's assessment and the assessment of external consultants. Regarding Blue Sky - it was assumed that the operating expenses will be in accordance with the average operating expenses for commercially operated systems, per kilowatt in 2021. In addition, the estimated levels of debt depreciation assuming a 5-year deployment. It should be noted that in the agreements with the tax partners, arrangements are made regarding the manner of distribution of project profits between the Portfolio Company that owns the project and the tax partner, for defined periods as specified in the agreement with him. EBITDA and FFO are presented net after payment of the partner's share. Regarding the Cellarhead Project the operating costs in accordance with quotations received from construction contractors, the Company's evaluations, and an external consultant, regarding related costs.
- (8) (5) The FFO index is calculated as EBITDA, less financing costs in respect of major debt loans, based on the assumptions listed in Note (5) above, and in respect of the Ratesti Project with the deduction of corporate tax. It should be emphasized that as of the date of the report, no funding has been obtained for the projects in Sabinar, Sunprime, Ratesti, Blue Sky and Cellarhead, there is no certainty regarding obtaining such funding and there is no certainty that its cost will be in accordance with the Company's estimates as specified in Note (4) above.

- (9) As described in Section 3.1 of the Corporate Business Description chapter, the Company usually enters into agreements with its partners whereby the Company makes available the equity (or the majority of the equity) required for the development and establishment of the project via a loan, repaid on the basis of Cash Sweep.
- (10) The Company's holding rate is calculated as a calculated average, linked, in relation to the system suppliers. The range of Sunprime's holding rates is according to the holding rate at the date of the report and the assumption of the exercise of Andromeda's rights to increase its holdings in Sunprime from the current rate of 30% to a rate of 50%. It should be noted that all holdings in the Project Corporation of Olmedilla and Sabinar are in lien, as of the date of the report, in favour of Sabinar's financing banks and sellers.
- (11) (7) Establishment costs include, inter alia, a discount regarding the forfeiture of construction guarantees of projects via competitive procedures for roofs and reservoirs, which will be connected to the grid, after the required date.

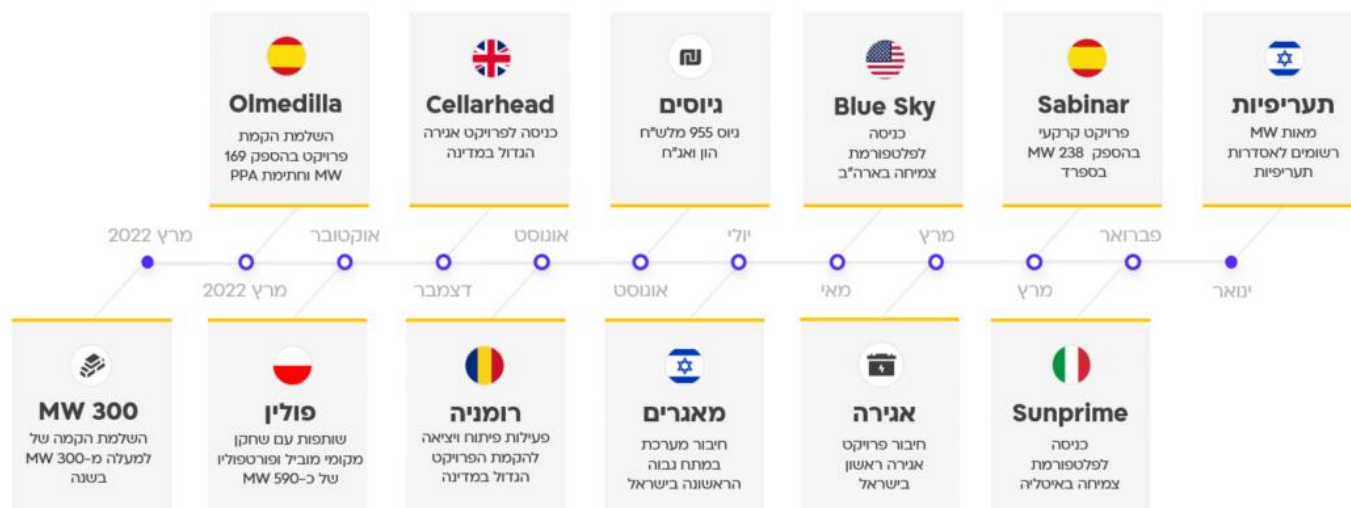
Estimates detailed in the above tables above regarding tariffs, tariff period, suppliers, commercial operating dates, construction costs, leverage rates, revenue, EBITDA, FFO, projected available income, holding rates, projected first operating year and first operating year results are projected information, as defined in the Securities Law, the realization of which is uncertain and beyond the Company's sole control. The said assessments are based on the Company's plans in relation to each system and the characteristics of the systems, which may not materialize due to factors beyond the Company's control. For example, a lack of complete certainty regarding Project Company rights, delays in obtaining set-up and operating permits, delays in gaining access to the electricity grid, change in the costs of setting up the system, delays in obtaining the permits required to start the establishment of the project, receipt of negative or limited positive grid connections, delays in gaining access to the electricity grid, delays in the development of the electricity grid, delays in construction, delays or difficulties in entering into development agreements with the Israel Land/Lease Authority, delays in supplying system parts, changes in construction costs, including unforeseen expenses or changes in foreign exchange, increase in raw material prices, increase in transportation prices, changes in exchange rates, delays in obtaining the necessary permits to start construction of the project, delays in the development of the electricity grid, delays in construction, changes in regulation traiffs, changes in legal provisions and/or regulations, changes in policy and/or financing increases, changes in interest rates, defects in the system, changes in the weather, changes in electricity tariffs or system costs, changes in electricity consumption by system consumers, changes in electricity demand , changes in tax rates, changes in tax law, general changes in the economy and in the electricity sector in particular, regulatory changes, system deficiencies, continuation of the Covid-19 crisis and the restrictions imposed (or may be imposed) thereof and the existence of one (or more) risk factors listed in Section 4.13. of the Corporate Business Description chapter.

It should be emphasized that as of the date of the report there is no certainty regarding the implementation of the projects under establishment, advanced development and progress, inter alia, due to the fact that these projects are subject to various approvals (including modification of land zoning, building permits, positive grid responses, vacant quotas, etc.), as specified in Sections 3.1.1.1 above and 3.3.1.2 below, which have no certainty to be accepted, as well as due to concern for the existence of one of the risk factors listed in Section 4.13 of the Corporate Business Description chapter. To the extent that the Company fails to implement the systems listed above (or any of them), the main exposure will be the cancellation of the amounts invested (and to be invested) by such date as well as systems established via securing a tender, forfeiture of construction guarantees or loss of electricity quota (in the event of non-compliance with the schedules until the maximum binding date).



1.5 Company Development Review

The past year has been characterized by a significant development in the Company's operations,



which is reflected in a number of aspects as follows:

1.5.1 Leading the consumer solar sector in Israel - roofs and reservoirs

1.5.1.1 Solar Portfolio in Israel - In 2021 and by the date of publication of the report, the Company had completed the establishment or connection of approximately 149.6 MW on rooftops and reservoirs in Israel. As of the date of the report, the portfolio of solar projects in advanced stages³ of the Company in Israel amounts to approximately 534.7 megawatts, distributed as detailed in the graph below.

The systems connected during the aforementioned period sell electricity by means of two main regulations: tariff regulation and competitive procedures when most of the systems were established by the Company, which is the EPC and O&M contractor, which generate additional sources of income and profit for the Company.

³ "Advanced Phases" means under establishment, prior to establishment and progressive development.

The graph below displays the Company's portfolio of advanced solar projects in Israel (MW)⁴



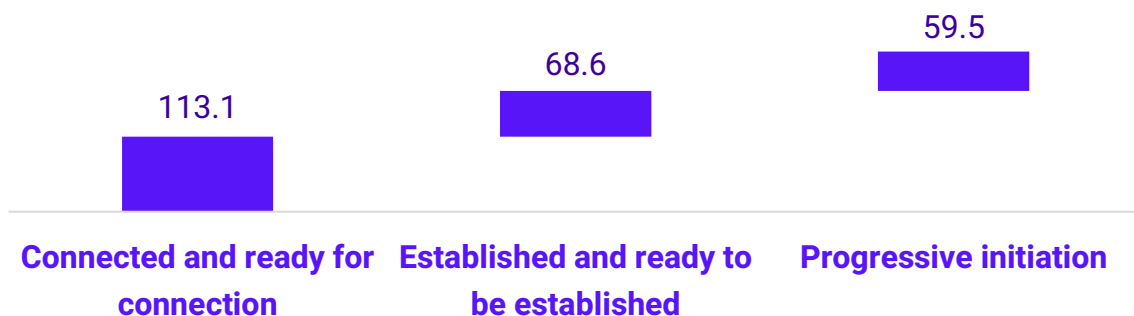
1.5.1.2 Tariff Regulation Projects - Throughout the reporting period, the Company has connected or completed the establishment of approximately 69.3 megawatts of tariff systems, at a rate of 45 agorot per kWh, guaranteed for a period of 25 years. In accordance with the Electricity Authority's publications, the validity of this regulation has been extended by an additional two years and allows the Company to register new systems until December 2023 at minimum. For further details regarding the terms of the regulation, see Section 3.1.1.2 in the Description of the Corporation's Business chapter.

The Company's past experience shows that the Company's partnerships with kibbutzim, moshavs and real estate companies, together with its establishment capabilities, enable the simultaneous establishment of dozens of systems, which ensure the continued initiation and establishment of hundreds of megawatts of tariff systems characterized by high rates, over the next few years.

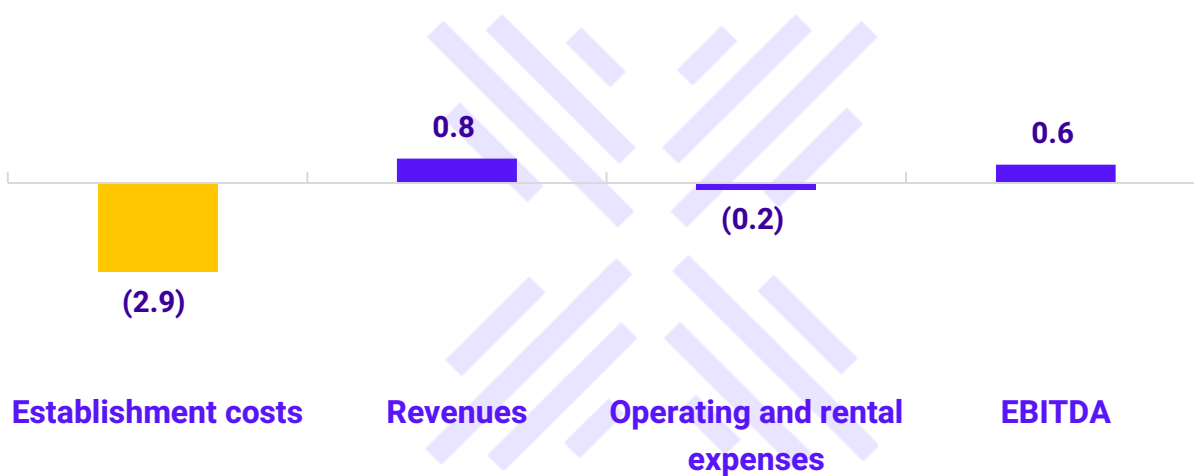
The graph below displays the Group-owned tariff systems portfolio, currently in advanced stages⁵:

⁴ The Company's share in the portfolio is approximately 39%, connected and ready to be connected, approximately 36% prior to establishment, and approximately 43% under progressive initiation.

⁵ The Company's share in the portfolio is approximately 36%, connected and ready to connect, approximately 36% under establishment and prior to establishment, and approximately 32% under progressive initiation.



Below is a graph displaying establishment costs, revenues and average annual EBITDA per 1 megawatt of project tariffs (in millions of shekels):⁶

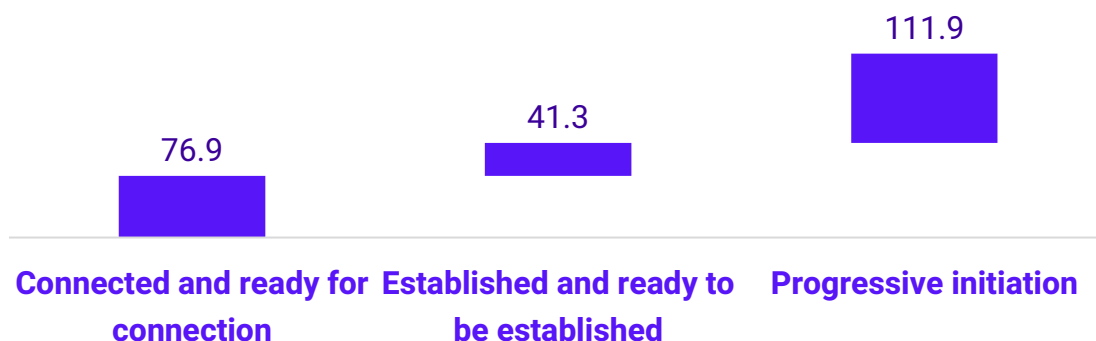


⁶ The Company's assessments of the results of the systems in the first year of operation, is projected information, as defined in this term in the Securities Law, which depends on factors beyond the Company's control as described in Section 1.4 above. It should be emphasized that non-fulfilment of one or more of the assumptions listed in Section 1.4 may cause a change in the results of the systems in relation to the data listed above. For details regarding the assumptions used to calculate the data, see the assumptions listed in Section 1.4 above in relation to the projects in Israel.

1.5.1.3 Projects under "Tender" regulation- The Company has a portfolio of projects in the series "Roof and Reservoirs Tenders" with a total output of approximately 230.1 MW. During the reporting period, the Company connected or completed the establishment of approximately 76.9 MW of tender systems by virtue of competitive procedures for roofs and reservoirs 1 and 3 and an overflow quota, at guaranteed rates of 25 years of between 18.64 and 23.77 agorot per kWh ⁷ linked to the CPI. In addition, these regulations allow the Company to sell the electricity produced in these systems to consumers instead of at higher consumers tariffs. For further details regarding the regulation, see Section 3.1.1.2 in the Description of the Corporation's Business chapter. The vast majority of these systems were located on water reservoirs. Nofar's activity in this segment demonstrates the groundbreaking and innovative nature of the Company, which began in 2015, when the first launch program was established in the field, and continued in 2018 and 2021 during the connection of the first floating commercial system in Israel and the first high voltage system in Israel.

The uniqueness of this segment is that unlike ground systems, its development process is relatively fast, and, on the other hand, relatively large systems can be established, in relation to systems on roofs. In addition, the set-up time of the systems is relatively short and amounts to weeks and up to a few months.

The graph below describes the protocols of projects of tender systems in advanced stages ⁸ :



1.5.2 Development of the Company's Activities Abroad

1.5.2.1 Spain

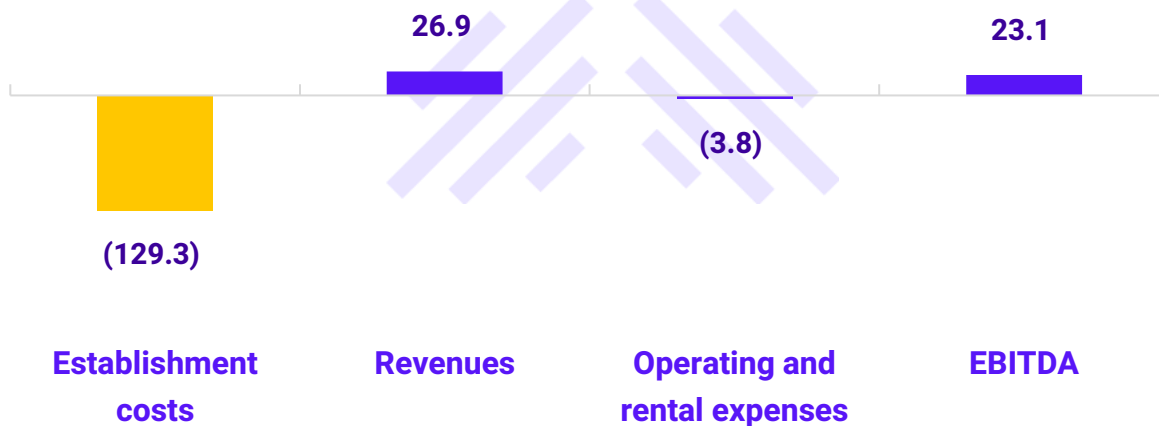
Project Olmedilla - is a solar project with a total capacity of approximately 169 megawatts in Spain, held in concatenation, at a rate of 38% by the Company. The set-up work of the project has

⁷ The tariffs are as of the date of the report.

⁸ The Company's share in the portfolio is approximately 42% connected and ready for connection, approximately 36% under establishment and prior to establishment, and approximately 49% under advanced initiation.

been completed and the project is expected to connect to the grid over the next few weeks. In addition, in light of the high electricity prices in Spain, the Project Company entered into a Memorandum of Principles regarding the PPA agreement, which fixed the electricity prices for a period of up to 5 years, at a rate of between 153.7 and 63.8 euro per megawatt. Accordingly, the expected revenues from the first full year of operation are approximately 27 million euro, and the EBITDA is approximately 23 million euro,⁹ compared to revenues of approximately 16.3 million euro and EBITDA of approximately 13.4 million euro, included in the Company's Prospectus¹⁰. This increase, together with the expected certainty in the revenue rate, creates an option, to be examined by the Company, to refinance the project while increasing the financing rate and attracting capital provided by the project owners.

Below is a graph describing the construction costs, revenues and EBITDA of the project in the first full operating year (in millions of euros):¹¹



⁹ For details regarding the assumptions used to calculate these amounts, see the tables in Section 1.4 below. The Company's assessments of the results of Olmedilla during the first year of operation, is projected information, as defined in this term in the Securities Law, which depends on factors beyond the Company's control as described in Section 1.4 above. It should be noted that the non-fulfilment of one or more of the assumptions set out in Section 1.4 may result in a change in Olmedilla's results in relation to the data set out above. For details regarding the assumptions used to calculate the data, see the assumptions listed in Section 1.4 above in relation to the projects in Israel.

¹⁰ Prospectus for Completion published by the Company on December 8, 2020, bearing the date December 9, 2020, reference number 2020-01-133446 ("Company Prospectus" or "Prospectus")

¹¹ The Company's assessments of the results of the Olmedilla Project in the first year of operation is projected information, as defined in this term in the Securities Law, which depends on factors beyond the Company's control as described in Section 1.4 above. It should be noted that the non-fulfilment of one or more of the assumptions set out in Section 1.4 may result in a change in Olmedilla's results in relation to the data set out above. For details regarding the assumptions used to calculate the data, see the assumptions listed in Section 1.4 above in relation to the projects in Israel.

[The Sabinar Project](#) - is a solar project with a total output of approximately 238 megawatts in Spain, linked to the Olmedilla Project. The Company has identified an opportunity to leverage the layout built around the Olmedilla Project to perform a rapid establishment of Sabinar while saving on set-up costs. The Company holds a 36% linkage of the project. The project is in establishment stages, with the expected completion date being during the second half of 2022. A similar arrangement to the one included in the Memorandum of Principles signed in the Olmedilla Project will also be applied to this project, or the electricity produced by the project (or part of it) will be sold on the open market.

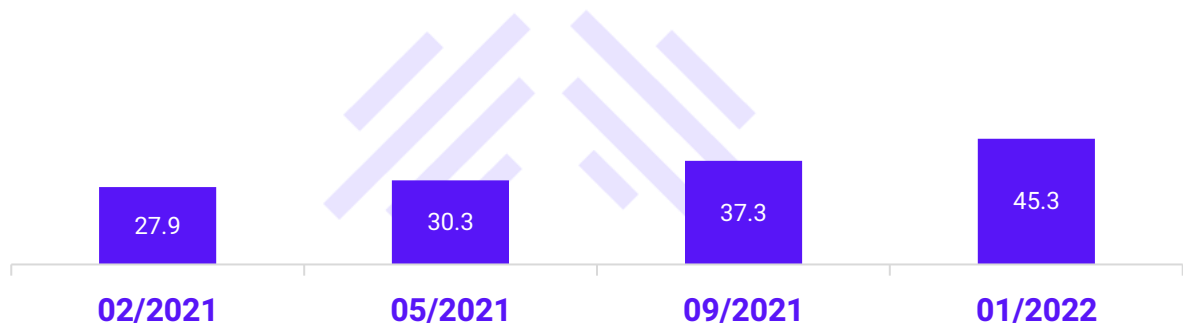
It should be noted that in accordance with the amendment to the law in Spain from December 2021 regarding the possibility of using double the size of the connection, a grid connection point can be used to install additional systems, provided that the total power of all the systems will not exceed the size of the connection point at a given moment. The Company estimates that this amendment may allow for the installation of stockpile and/or wind power systems at the connection point of the Olmadilla and Sabinar Projects.



1.5.2.2 Italy

Sunprime Company - Sunprime is held in concatenation, at a rate of 12% by the Company (and 20% assuming full realization), specialising in roofing projects in Italy at high FIT rates. Nofar entered into a transaction to obtain holdings in the Company as part of the Noy-Nofar Europe Partnership, in February 2021. Nofar identified Sunprime's significant potential at a very preliminary stage when the Company had no projects connected or under establishment. In addition, the great similarity in Sunprime's activity to Nofar's traditional activities in Israel generates many synergies, which Nofar utilizes to share experience and knowledge to accelerate Sunprime's growth. Since the completion of the deal, Sunprime has been awarded as the largest power in the GSE rooftop tenders, four times consecutively. As of the reporting date, Sunprime holds a quota of approximately 130 megawatts at an average rate of approximately EUR 93.4 per megawatt-hour. Furthermore, Sunprime has accumulated projects with an output of approximately 132 megawatts in the development stages, to continue the expansion of the Sunprime portfolio in the roofing sector and in additional fields.

The graph below displays the Company's secured quota in GSE tenders (in megawatts):



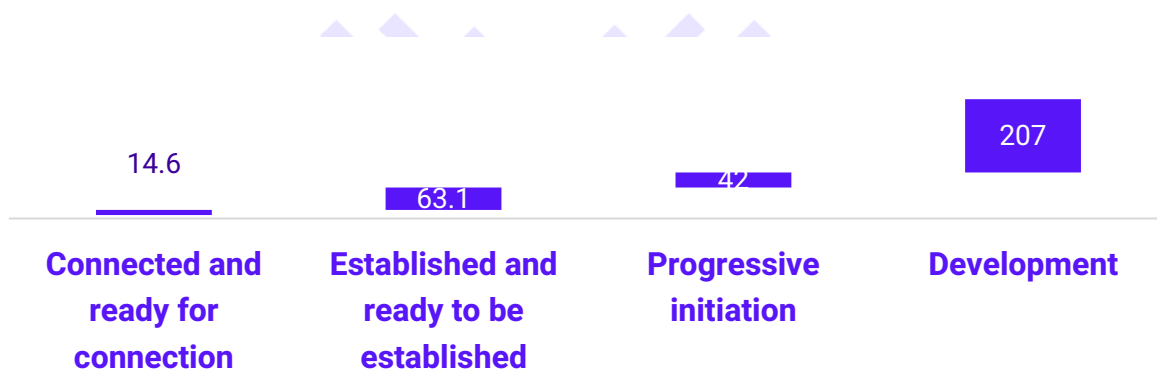
1.5.2.3 USA

In July 2021, the Company completed the acquisition of 67% of the rights in Blue Sky, engaged in the initiation, development, licensing, planning, management, establishment and maintenance of solar projects on roofs of commercial buildings and stockpiling systems in the United States¹². The transaction structure is designed to contain components that support accelerated growth such as a line of credit for providing equity for the establishment of projects and bonuses for the Company's management for meeting objectives set under the agreement. The Company's activity model focuses on the establishment of solar systems on

¹² For further details, see Section 4.7.4 in the Corporate Business Description chapter as well as immediate reports published by the Company on May 25, 2021 and July 6, 2021 (reference no. 2021-01-029851 and 2021-01-049006), the information stated in this report is incorporated by reference.

the roofs of commercial centers, while selling the electricity to retail stores at rates higher than the rates sold for electricity by virtue of PPA agreements of Utility Projects. As of the reporting date, Blue Sky holds a portfolio of approximately 119.7 MW at various stages. As of the reporting date, Blue Sky is focused on expanding operations, strengthening the organizational infrastructure, strengthening the collection system, increasing partnerships with REIT funds, creating new partnerships and concluding agreements with tax partners.

Below is the portfolio of Blue Sky Projects as of the date of publication of the report (megawatts)¹³ :



1.5.2.4 Poland - During October 2021 Nofar Europe entered into an agreement with Electrum SP. Z O.o. ("Electrum"), regarding the establishment of Electrum Nofar, held in Thread, which is chain-owned at a rate of 72% by the Company, engaged in the initiation, development, and possession of solar and wind systems with an output of up to 1,250 MW in Poland.¹⁴ In November, Nofar Europe entered into an agreement to acquire a project portfolio in Poland with an estimated output of up to 185 MW¹⁵ and in March 2022 Electrum transferred to Electrum Nofar projects with an estimated output of up to 412 MW in Poland. In addition, as of the date of the report, Nofar Electrum is engaged in the initiation of additional projects in Poland¹⁶.

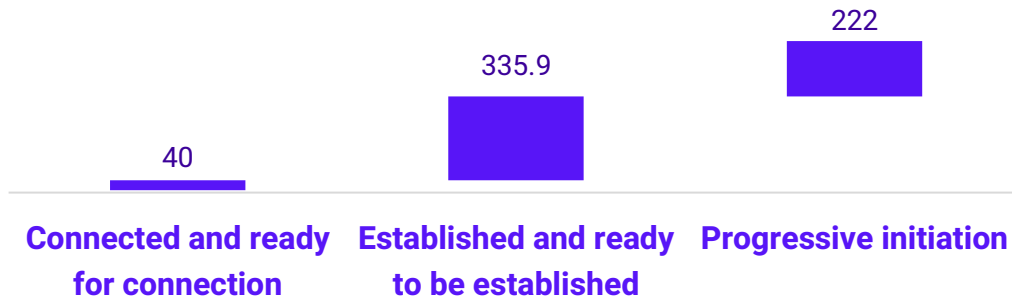
¹³ For details of cumulative Blue Sky Projects, see the table in Section 1.4 above. It should be emphasized that in view of the initial stages of development of the projects, as of the date of the report, there is no certainty regarding their implementation, and/or implementation in the output, as detailed in the table above.

¹⁴ For further details, see Section 4.7.5 of the Corporate Business Description chapter as well as immediate reports published by the Company on November 21, 2021 (reference number 2021-01-168729) and March 6, 2022 (reference number 2022-01-022056), the information stated in this report is incorporated by reference.

¹⁵ For further details, see Section 4.7.10, as well as a report published by the Company on November 24, 2021 (Reference No. 2021-01-170472), the information stated in this report is incorporated by reference.

¹⁶ Given the early stages of initiation. As of the date of the report, there is no certainty regarding the success of the negotiations or the establishment of the systems.

Below is a graph describing the Company's project portfolio in Poland ¹⁷ :



1.5.2.5 Romania - During 2021, the Company established a local branch in Romania, to manage and develop solar and wind projects in Romania. In addition, the Company contracted and completed a contract with Econergy International Ltd. ("Econergy"), a transaction for the purchase of shares of Ratesti Solar, which holds a solar project with a total output of approximately 155 megawatts, under establishment. To the best of the Company's knowledge, this project, held at a rate of 50% by the Company, is expected to be the largest solar project in the country. As of the date of the report, the Company is examining the advanced development, acquisition and development of several solar projects in Romania, with an aggregate output of hundreds of megawatts.¹⁸

1.5.2.6 Construction of additional initiating platforms - During 2021, the Company contracted with local developers in the UK, Serbia and the Czech Republic in agreements regarding the establishment of a joint initiating platform engaged in the initiation of solar projects in the UK, Czech Republic, Serbia and several other countries in the Balkans. As of the date of the report, the local developers are working to initiate and locate projects in these countries ¹⁶ .

1.5.3 Creation of leading companies in the field of electricity storage

¹⁷ The Company's share in the portfolio is 90% set-up prior to establishment, 77% advanced development and 72% development.

¹⁸ It should be emphasized that in light of the initial stages of the projects and the negotiations, the date of the report has no certainty regarding the success of the development of the projects and their implementation.

1.5.3.1 Behind the Meter Storage in Israel - The Company's storage sector has been put into operation during the past year and constitutes a key and complementary activity to the traditional activities of the Company. Early identification of the emerging need for stockpiling facilities has enabled the Company to operate in several areas of activity to establish leadership in the field. Similar to the Company's activities in the field of solar reservoirs in Israel, Nofar also constituted the pioneer in this field and paved the way for its development in Israel. During the reporting period, the Company completed the establishment of two power storage systems in Israel, with a total output of approximately 5.9 megawatts per hour. These facilities were among the first in Israel. Establishing these systems allowed the Company to gain experience in the field. Additionally, the Company has signed framework agreements with Tesla for the purchase of batteries totalling at least 300 megawatts per hour. These agreements are particularly significant since the Company has a supply of batteries in the market, which is characterized by a shortage of storage systems. In the commercial axis, the Company signed agreements with kibbutzim and real estate companies to establish stockpiling systems to the tune of hundreds of megawatts per hour. As of the date of the report, the Company has a stockpiling project portfolio in Israel prior to and under establishment, with a total volume of approximately 110.2 MWh. In addition, it has obtained a license for power supply, which may improve the profitability of the ¹⁹ stockpile systems. In the Company's opinion, its unique experience, the framework agreements with Tesla and the Company's network of partnerships position it as a leader in the field of stockpiling systems behind the meter in Israel.

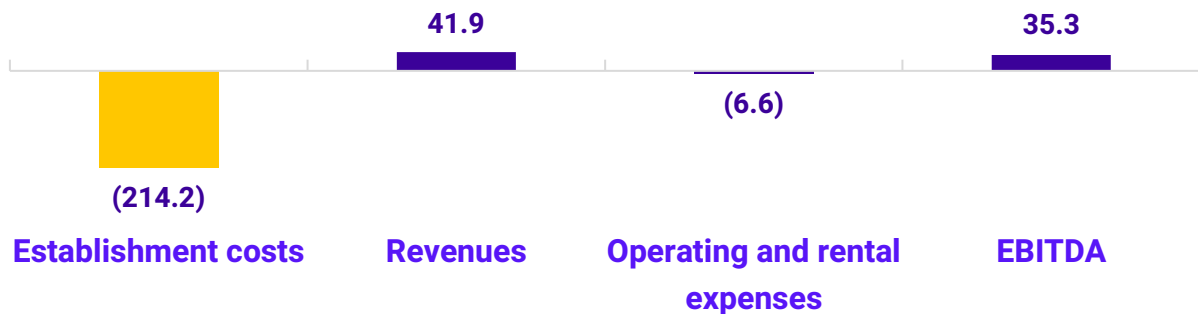
¹⁹ Based on the modification suggestions published by the Electricity Authority.

Below is a graph that describes the portfolio of stockpiling projects in advanced stages²⁰ :



1.5.3.2 Stand Alone Storage in the UK - After gaining knowledge and experience in the local market, the Company leveraged the experience and knowledge gained in the field and established together with a local company in the UK (Interland) a designated partnership (Atlantic Green) held 75% by the Company, engaged in the advanced development, promotion, establishment and maintenance of stockpile systems in the UK. As part of the partnership, in addition to simultaneously examining other stockpiling projects, the Company promotes the establishment of a stockpiling facility, which as of the date of the report, is the largest in the UK, with an expected output of approximately 700 megawatts an hour. The Company intends to examine in the coming year the integration of storage systems in other territories in which it is active.

Below is a graph describing the Company's schemes regarding construction costs, revenues and EBITDA in the first year of the megawatt battery project in the UK (millions of pounds) ²¹ :



²⁰ The Company's share in the portfolio is approximately 38% connected and ready for connection, approximately 30% prior to and under establishment and approximately 35% advanced development. In light of the initial stages of development of the projects, as of the date of the report, there is no certainty regarding their implementation, and/or implementation in the output, as detailed in the table above.

²¹ For details regarding the assumptions used to calculate the data, see Section 1.4 above. The Company's assessments of the results of the Cellarhead Project in the first year of operation, is projected information, as defined in this term in the Securities Law, which depends on factors beyond the Company's control as described in Section 1.4 above. It should be noted that the non-fulfilment of one or more of the assumptions

1.5.4 Financial Stability

In the past year and a half, the Company raised approximately 1.8 billion NIS, as capital and bonds, as follows:

1.5.4.1 In September 2020, Noy Investment Fund invested approximately 225 million NIS in the Company, in addition to allocating 40% of the rights from Noy-Europe to the Company.

1.5.4.2 In December 2020, the Company issued shares to the public for a total of 613 million NIS (which included the sale of shares by the controlling shareholder for a total of 38 million NIS).

1.5.4.3 In August 2021, the Company issued a par value of 400 million NIS to the public. Bonds.

1.5.4.4 In October 2021, the Company made a private offering of the Company shares for a total of approximately 555 million shekels.



listed in Section 1.4 may cause a change in the results of the Cellarhead Project in relation to the data listed above. For details regarding the assumptions used to calculate the data, see the assumptions listed in Section 1.4 above.

1.6 Financial Status:

Section	Dated				Explanations of the Board of Directors
	31.12.2021		31.12.2020		
	Thousands of NIS				
	Amount	% of the total balance sheet	Amount	% of the total balance sheet	
Cash and Cash Equivalents	904,345	41.7%	483,635	45.70%	See the statement of cash flows, most of the increase from last year derived from the issuance of private shares and the issuance of bonds versus the inflow of capital for projects in Europe and from a decrease in working capital.
Short-Term Deposits	161,025	7.4%	102,121	9.60%	
Short-Term Restricted Cash	640	0.0%	120	0.00%	
Customers	234,469	10.8%	156,755	14.80%	Most of the increase from last year is due to a significant increase in the volume of the Company's projects financed by Company equity, from bank financing until completion of establishment.
Debits and Debit Balances	22,780	1.1%	29,004	2.70%	Most of the increase from last year derived from an increase in prepaid expenses for licensing and projects under establishment and accrued income in respect of the tax partner from a subsidiary in which control was obtained against a decrease in respect of VAT refund received.
Inventory	56,619	2.6%	65,683	6.20%	The decrease from last year is due to the sale of inventory for projects executed during the period.
Total Current Assets	1,379,878		837,318		
Investment in investee corporations accounted for using the equity method	398,032	18.4%	126,605	12.00%	Most of the increase from last year is mainly due to investment in Nofar-Noy Europe and Ratesti Solar and the Company's department in the revaluation reserve of fixed assets in the affiliated companies.
Right-of-Use Asset	64,119	3.0%	22,227	2.10%	The increase derived mainly from a subsidiary in which control was obtained.
Fixed Assets	200,387	9.2%	67,363	6.40%	Most of the increase derived from an increase in systems owned by the Company and from a subsidiary in which control was obtained
Long-Term Deposits	5,530	0.3%	5,233	0.50%	
Long-Term Restricted Cash	963	0.0%	--	--	From a subsidiary in which control was obtained
Intangible Asset	119,310	5.5%	--	--	For goodwill from a subsidiary in which control was obtained
Total Non-Current Assets	788,341		221,428		
Total Assets	2,168,219		1,058,746		
Short-term loans, and current maturities of long-term bank loans	37,671	1.7%	64,787	6.10%	The decrease derived from the repayment of on-call loans

Section	Dated				Explanations of the Board of Directors
	31.12.2021		31.12.2020		
	Thousands of NIS				
	Amount	% of the total balance sheet	Amount	% of the total balance sheet	
Current maturities of lease liabilities	4,546	0.2%	1,782	0.20%	
Suppliers and Service Providers	67,930	3.1%	95,299	9.00%	The majority of the decrease is mainly due to payments to inventory suppliers and a decrease in the provision for contractors
Other payables and credit balances	18,139	0.8%	4,801	0.50%	The majority of the increase derived from a loan from a minority in a subsidiary in which control was obtained and interest was paid in respect of the bonds.
Financial Derivatives	1,981	0.1%	1,708	0.2%	Warrants granted to third parties for the acquisition of the Company's share in affiliated companies were recognized as financial derivatives in the Company's financial statements. Financial derivatives are measured at fair value via profit or loss.
Current Tax Liability	---	---	1,535	0.1%	The decrease derived from the reduction in tax liability due to payment to the tax authorities

Section	Dated				Explanations of the Board of Directors
	31.12.2021		31.12.2020		
	Thousands of NIS				
	Amount	% of the total balance sheet	Amount	% of the total balance sheet	
Total Current Liabilities	130,267		169,912		
Long-Term Bank Loans	66,070	3.0%	25,244	2.4%	The increase derived mainly from loans from a subsidiary in which control was obtained
Lease Liabilities	63,566	2.9%	21,629	2.0%	The majority of the increase derived from a subsidiary in which control was obtained
Related Loans	18,171	0.8%	11,721	1.1%	Loan received from the Noy Fund in a consolidated partnership
Deferred Taxes	42,742	2.0%	4,407	0.4%	The increase derived from a subsidiary in which control was obtained and revaluation of new systems connected during the year
Bonds	398,318	18.4%	---	---	Bond Issuance
Other Liabilities	5,660	0.3%	1,132	0.1%	
Total Non-Current Liabilities	594,527		64,133		
Share Capital and Premium	1,568,696	72.3%	1,014,211	95.8%	The increase is due to capital issuances made by the Company (see also the statement of changes in the Company's equity).
Retained Earnings (Loss Balance)	(226,071)	(10.4%)	(232,923)	(22.0%)	

Section	Dated				Explanations of the Board of Directors
	31.12.2021		31.12.2020		
	Thousands of NIS				
	Amount	% of the total balance sheet	Amount	% of the total balance sheet	
Equity Funds	49,406	2.3%	43,602	4.1%	The majority of the increase is derived from the Company's share in other comprehensive income of corporations accounted for using the equity method attributed to the revaluation of fixed assets and share-based payment against an increase in translated differences fund (principal in debit balance).
Total equity attributable to the Company's shareholders	1,392,031		824,890		
Non-Controlling Interests	51,394		(189)		Mainly due to a subsidiary in which control was obtained
Total Equity	1,443,425		824,701		
Total Liabilities and Equity	2,168,219		1,058,746		

1.7 Results of the Activity:

Section	For the year ending December 31,			Explanations of the Board of Directors
	2021	2020	2019	
	Thousands of NIS			
Revenue	360,762	214,568	141,648	The majority of the increase from 2020 derived from an increase in the scope of projects, mainly stockpiles and stockpiling, performed by the Company
Operating Expenses	327,027	181,134	120,875	The increase from 2020 is due to an increase in revenues, an increase in the Company's workforce.
Gross Profit	33,735	33,434	20,773	The majority of the decrease in the profit percentage from 2020 is due to a change in the Company's revenue composition (from revenues from the establishment of roofing systems for the establishment of reservoir systems where the profitability rate is significantly lower), from an increase in raw material prices and marine freight
Gross Profit Rate from Revenue	9.35%	15.58%	14.67%	
General and Administrative Expenses	16,935	7,429	4,533	The majority of the change in relation to 2020 stems from an increase in the Company's workforce and from a subsidiary in which control was obtained, in addition to consultancy expenses.
Sales and Marketing Expenses	7,516	2,797	2,298	The majority of the increase from 2020 is due to an increase in the Company's operations and workforce.
The share of the Company in losses of companies accounted for under the equity method, net	(211)	(952)	(3,523)	
Other Expenses (income), Net	(579)	1,843	---	This year the Company has other net income mainly due to joint tax receipts as opposed to other expenses in respect of the PPA update for projects that were not implemented from a subsidiary in which control was obtained. In the previous year, the Company incurred other expenses for public offering costs.
Operating profit before allocation of shares and one-time bonus to officers	9,652	20,413	10,419	
Operating profit rate from revenue	2.68%	9.51%	7.36%	
Allocation of Shares and One Time Bonus to Officers	---	281,654	---	See Note 16(a) (2) (a) to the Annual Financial Statement
Operating Profit/Loss	9,652	(261,241)	10,419	
Financial Expenses	23,403	5,520	3,378	The majority of the increase derived from interest and linkage in respect of bonds
Financing Revenue	17,463	1,030	---	The majority of the increase is due to interest charges for financing projects

Section	For the year ending December 31,			Explanations of the Board of Directors
	2021	2020	2019	
	Thousands of NIS			
				under establishment, reduction of negative cost overruns and update of contingent consideration arising from a subsidiary in which control was obtained.
Profit/Loss before Income Tax	3,712	(265,731)	7,041	
Profit/Loss Rate before Income Tax	1.0%	(123.84%)	4.97%	
Income Tax Expenses (tax benefit)	671	(13,325)	2,169	In the previous year, tax benefit was mainly due to the registration of a tax asset on losses to be transferred.
Profit/Loss for the year attributable to the Company's shareholders	3,763	(252,217)	4,872	

Section	For the year ending December 31,			Explanations of the Board of Directors
	2021	2020	2019	
	Thousands of NIS			
Non-Controlling Interests	(722)	(189)	---	
Total Net Profit (Loss)	3,041	(252,406)	4,872	
Annual Profit (Loss) Rate	0.1%	(117.63%)	3.44%	
Adjustments resulting from translation of financial statements of foreign operations	(29,833)	(192)	---	
Revaluation due to revaluation of fixed assets	9,406	265	8,522	
Share in other comprehensive income (loss) of corporations accounted for under the equity method	25,613	19,307	10,545	
Total other comprehensive income/loss	5,186	19,380	19,067	
Rate of other comprehensive income/loss	0.1%	9.03%	13.46%	
Comprehensive income (loss) for the year attributable to the Company's shareholders	8,949	(232,837)	23,939	
Non-Controlling Interests	(722)	(189)	---	
Total comprehensive income/loss for the year	8,227	(233,026)	23,939	

1.8 Liquidity:

Section	For the year ending December 31,			Explanations of the Board of Directors
	2021	2020	2019	
	Thousands of NIS			
Net cash flow from (used for) operating activities	(103,649)	(142,199)	13,395	See the consolidated statements of cash flows. The cash flow used for operating activities during the reporting period is mainly due to a decrease in the Company's workforce.
Net cash flow used in investing activities	(355,348)	(190,600)	(34,506)	See the consolidated statements of cash flows. The cash flow used for investing activities during the reporting period was mainly due to investment in Nofar Noy Europe and Ratesti Solar Plant, acquisition of fixed assets and a subsidiary in which control was obtained.
Net cash flow derived from financing activities	888,887	810,480	23,264	See the consolidated statements of cash flows. The cash flow from financing activities during the reporting period was mainly due to the issuance of bonds and the allocation of shares.

During the reporting period, the Company had a negative cash flow from operating activities. In light of the Company's cash balances, as well as the acquisition of inventory used in the establishment of systems by the Group's companies, and the provision of temporary financing by the Company to the Project Corporations instead of taking on bank debt, the Board of Directors estimates that the negative cash flow from operating activities does not indicate a liquidity problem for the Company.

1.9 Funding Sources:

The Group finances its activities, mainly, from the issuance of shares, current earnings, credit from banks and credit from suppliers, as follows:

- 1.9.1 Issuance of Shares** - On 10 September 2020, an investment transaction was completed between the Company and the Noy Fund, in which the Noy Fund invested in the Company, a total of approximately **224.9 million NIS**, for the allotment of shares, which, at the time, constituted approximately 24.64% of the Company's issued and paid-up capital. To conclude, it should be noted that as part of this transaction, the Noy Fund acquired from the controlling shareholder a share of approximately 0.33% of the Company for a total of approximately 3.1 million NIS. See Section 4.7.3 of the Corporate Business Description - Part A of the Periodic Report for 2020, the information contained therein is presented in this report by way of reference.

Additionally, on October 27, 2021, the Company completed a private offering and registration for the trading of 7,744,907 ordinary shares of the Company, against a total payment of approximately **555 million NIS** to 16 classified investors, as defined in this term in the First Appendix to the Securities Law, 5727-1967. For further details see the Immediate Reports published by the Company on October 25, 2021 (reference number 2021-01-090994) and October 27, 2021 (reference number 2021-01-091786), the information contained therein is presented in this report by way of reference.

1.9.2 Issuance of bonds - On August 16, 2021, the Company completed an issue **of 400 million NIS** par value. Bonds. The bonds are index-linked, bear an annual interest rate of 1.48% and are repaid in ten semi-annual unequal installments, from June 30, 2023 until December 31, 2027. For further details regarding the terms of the bonds, see **Appendix A** to the Board of Directors' report, the shelf offer report published by the Company on August 12, 2021 (reference number 2021-01-131616), the report on the results of the issuance and the Deed of Trust dated August 16, 2021 (reference number 2021-01-065704 and 2021-01-065244), the information contained therein is presented in this report by way of reference.

1.9.3 Long-term loans (including current maturities) - The average long-term credit amounted to 51.5 million NIS in 2021, compared to approximately 14.3 million NIS in 2020, and approximately 3.8 million NIS in 2019.

The average rate of long-term credit cost amounted to stood at 3.74% in 2021 compared to 3.2% in 2020, and 4.4% in 2019.

1.9.4 Short-term credit - The average short-term credit amounted to approximately 57.2 million NIS in 2021, compared to approximately 59.6 million NIS in 2020 and approximately 42.4 million NIS in 2019.

The average rate of short-term credit cost stood at 2.34% in 2021, compared to 3.6% in 2020, and 3.7% in 2019.

1.9.5 Suppliers - The credit provided to the Group by suppliers ranges from cash to current +60 days. Average supplier days amounted to 54 days in 2021, compared to 60 days in 2020 and 52 days in 2019.

The average credit balance of the suppliers amounted to approximately 54.1 million NIS in 2021, compared to approximately 15 million NIS in 2020 and approximately 8.7 million NIS in 2019.

1.9.6 Customers - The credit provided by the Group to customers ranges from cash to current + 60 days. Average customer days amounted to 63 days in 2021, compared to approximately 50 days in 2020, and to approximately 29 days in 2019.

The average credit balance of the customers amounted to approximately 235.3 million NIS in 2021, compared to approximately 16 million NIS in 2020, and approximately 9.8 million NIS in 2019.

For further details regarding the Group's financing sources, see Section 4.5 of the Corporate Business Description chapter - Part A of the Periodic Report for 2020.

For details regarding the terms of the bonds (Series A) issued by the Company, see **Appendix A** to the Board of Directors' Report, a Shelf Offer Report published by the Company on August 12, 2021 (Ref. 2021-01-131616), Report on the Results of the Issue and Deed of Trust dated August 16, 2021 (Ref. 2021-01-065704 and 2021-01-065244), the information contained therein is presented in this report by way of reference.

1.10 Significant Valuations

For the purpose of determining the value of data in its financial statements, the Company, inter alia, made use of a valuation assessing the allocation in exchange for the acquisition of rights in Blue Sky Utility LLC and Blue Sky Utility Holding LLC to the fair value of tangible and intangible assets and valuation for solar systems connected during 2021.

Below are details regarding the valuations in accordance with regulation 8B(i) of the Securities Regulations, Periodic and Immediate Reports, 5730-1970:

	Allocation of cost of acquisition of shares (PPA) as part of the acquisition of control of Blue Sky Utility LLC and Blue Sky Utility Holdings LLC by Nofar USA LLC	Commercially Operated Solar Systems
Timing of the evaluation:	July 6, 2021	March 22, 2022
The valuation of the subject of the assessment in accordance with the valuation:	\$45,635	NIS 128,209
Appraiser Identification	Mr. Yaniv Avdi, CPA, founding partner in Beta Finance and expert in financing and valuations. To the best of the Company's knowledge, Mr. Avdi is a CPA who holds a BA in accounting and economics with distinction, and MBA in finance and accounting with distinction. Yaniv has over 13 years of experience in consulting and management and teaching at academic	Performed by the Company's Analysis Department

	Allocation of cost of acquisition of shares (PPA) as part of the acquisition of control of Blue Sky Utility LLC and Blue Sky Utility Holdings LLC by Nofar USA LLC	Commercially Operated Solar Systems
	institutions (in the field of accounting and finance) including broad experience in business, strategy and economic consulting.	
Reference to indemnity agreements with the appraiser:	---	---
Assessment Model:	Cost Approach and Revenue Approach	Capitalization of discounted cash flow (DCF), expected to result from future assets.
The methodology and main assumptions according to which the appraisal was performed:	Rf - 1.65% Rm-Rf- 4.72% Beta - 0.64 SPC - 6.6% SP - 1%	The expected cash flow forecast was estimated for each solar system separately, according to the specific characteristics, commercial conditions, system performance and market conditions as were known at each cut-off date. The forecast at each cut-off date was determined in accordance with the balance of the contractual period in the agreements, and does not include Gert value. The revenue forecast for each solar system was estimated as the product of the installed output, a degradation rate of approximately 0.5% per year, an estimate of annual solar hours of approximately 1,740 and the tariff, in accordance with the relevant regulation. The discount ratio is 4.8%.

2 Corporate Governance Aspects

2.1. Internal Control Effectiveness

A report on the Company's internal control is attached in Chapter V of this report.

Additionally, in accordance with the provisions of Regulation 9B(c1) of the Reporting Regulations, the provisions of Regulation 9B(c) of the Reporting Regulations, which require an audit opinion on the effectiveness of internal controls over financial reporting and material weaknesses identified, to be attached to the Company's annual reports, shall not apply to the Company until five years have elapsed from the date the reporting corporation was formed, except in certain cases of such Regulation.

2.2. Market Risks and their Management

Responsible for market risk management

The CFO of the Company, Mr. Noam Fischer is in charge of managing market risks.

For details regarding his education, qualifications and business experience, see Regulation 26 in the chapter Additional Corporation Details.



The main market risks to which the Company is exposed and the Company's policies in addressing them

The Company's market risk management is intended to reduce, as far as possible, the possible adverse effects, resulting from the market risks to which the Company is exposed, as described above, on the Company's operating results, on cash flows and on its assets and liabilities.

In cases where there is a discrepancy between protection against accounting exposure and economic exposure, the Company's policy is to perform protections against economic exposure.

The following is a breakdown of the main market risks to which the Company is exposed:

- a) Currency risks - The Group may be exposed to exchange rate risk in several aspects. The first, due to the fact that a significant portion of the Company's cash is in NIS , while the Company's plan is to invest these funds in Europe and the United States (in euro, dollars, pounds, zlotys, etc.), when the revenues are expected to be received in local currency. Consequently, changes in the shekels exchange rates against the various currencies may affect the volumes of funds available to the Company for investments. In addition, changes in the exchange rates, as aforesaid, may affect rates of net return and the net profit resulting from such investments.

In addition , a number of the Company's liquid assets and measures are foreign currency (mainly USD and euro) while the Company's financial statements are in NIS. Accordingly, changes in exchange rates affect the value of assets in the financial statements.

In light of the Company's cash volumes in shekels, the Company usually equips itself with various currencies, in accordance with its estimates regarding the currencies in which payments will be required in the coming months. As of the date of the report, no quantitative limits were set regarding the volume of foreign exchange that the Company acquires.

- b) Interest Cash Flows - The Group is exposed to the risk that future cash flows of the Group will change as a result of changes in interest rates. It should be noted that as of the date of the report most of the loans taken out by the Group companies are at variable interest rates. In addition, there is a risk that changes in interest rates will affect the interest rates that the Group's companies will take in the future.
- c) Price of Electricity - As stated above, the Group's activities are based on the establishment of systems for the generation of electricity from renewable energies and the sale of the electricity produced in them. Changes in electricity prices may affect the consideration received by the Group companies for the sale of electricity in the systems maintained by them, the value of the systems and their yield.

In order to reduce exposure to changes in the electricity prices of projects abroad, the Group's companies are examining the possibility of entering into PPA agreements.

- d) Equipment Prices and Marine Shipping Costs - Construction of the systems involves a significant cost, a significant part of which is based on the prices of panels, converters, batteries and other system parts. In addition, most of the equipment used to set up the systems is manufactured in the Far East (mainly China). Accordingly, an increase in the prices of equipment or maritime shipping may result in an increase in the costs of establishing the systems and in their yield.
- e) Price Index - as of the date of the report to the Company, bonds which are linked to the index. Depending on the increase in the consumer price index may have an impact on the balance of the debt to bondholders. In this context, it should be noted that some of the electricity tariffs paid to the Group's companies in Israel are linked to the CPI.
- f) Liquidity Risks - Liquidity risks arise from the management of the Group's working capital, financing expenses and principal repayments of the Group's debts. Liquidity risk is the risk that the Group will find it difficult to meet obligations related to financial liabilities.

Considering the Group's cash volume as well as the fact that most of the financing was provided by the corporations that own the systems and was repaid with the cash flow derived from them, the Company estimates that this risk is negligible.

Supervision of the market risk management policy and how it is implemented

For one period, the Company's Board of Directors discussed the Company's financial exposures by virtue of market risks. The Company's CFO performs ongoing monitoring of changes in market risks, interest rates and changes in the exchange. Decisions regarding necessary actions are made by the Company's CEO and the Company's CFO.

Linkage Base Report

Section	Dated					
	31.12.2021					
	Thousands of NIS					
	Linked to USD	Linked to EURO	Linked to GBP	CPI-Linkage	No linkage	Amount
Cash and Cash Equivalents	235,014	93,270	12,704	-	563,357	904,345
Short-Term Deposits	-	-	-	-	161,025	161,025
Short-Term Restricted Cash	-	-	-	-	640	640
Customers	1,148	-	-	-	233,321	234,469
Debits and Debit Balances	4,420	-	-	-	18,360	22,780
Inventory	-	-	-	-	56,619	56,619
Total Current Assets	240,582	93,270	12,704	-	1,033,322	1,379,878
Investment in investee corporations accounted for using the equity method	-	273,218	-	-	124,815	398,033
Right-of-Use Asset	27,185	-	-	27,464	9,470	64,119
Fixed Assets	114,080	-	-	-	86,307	200,387
Intangible Asset	119,309	-	-	-	-	119,309
Long-term restricted cash	963	-	-	-	-	963
Long-Term Deposits	-	-	-	-	5,530	5,530
Total Non-Current Assets	261,538	273,218	-	27,464	226,121	788,341
Total Assets	502,121	366,488	12,704	27,464	1,259,442	2,168,219
Short-term loans, and current maturities of long-term bank loans	(10,409)	-	-	-	(27,262)	(37,671)
Current maturities of lease liabilities	(1,245)	-	-	(2,622)	(679)	(4,546)
Suppliers and Service Providers	524	-	-	-	(68,454)	(67,930)
Other payables and credit balances	(11,865)	-	-	-	(6,274)	(18,139)
Financial Derivatives	-	-	-	-	(1,981)	(1,981)
Total Current Liabilities	(22,995)	-	-	(2,622)	(104,650)	(130,267)
Long-Term Bank Loans	(43,393)	-	-	-	(22,677)	(66,070)
Lease Liabilities	(27,888)	-	-	(25,939)	(9,739)	(63,566)
Loan from the minority interest	-	-	-	-	(18,171)	(18,171)
Deferred Taxes	(25,689)	-	-	-	(17,053)	(42,742)
Bonds	-	-	-	(398,318)	-	(398,318)

Section	Dated					
	31.12.2021					
	Thousands of NIS					
	Linked to USD	Linked to EURO	Linked to GBP	CPI-Linkage	No linkage	Amount
Other Liabilities	(4,209)	-	-	-	(1,451)	(5,660)
Total Non-Current Liabilities	(101,179)	-	-	(424,257)	(69,093)	(594,527)
Share Capital and Premium	(101,957)	-	-	-	(1,466,739)	(1,568,696)
Loss balance (retained earnings)	(5,170)	-	-	-	231,241	226,071
Equity Funds	5,226	-	-	-	(54,632)	(49,406)

Section	Dated					
	31.12.2021					
	Thousands of NIS					
	Linked to USD	Linked to EURO	Linked to GBP	CPI-Linkage	No linkage	Amount
Total equity attributable to the Company's shareholders	(103,001)	-	-	-	(1,289,030)	(1,392,031)
Non-Controlling Interests	(51,802)	-	-	-	408	(51,394)
Total Equity	(154,803)	-	-	-	(1,288,622)	(1,443,425)
Total Liabilities and Equity	(278,976)	-	-	(426,879)	(1,462,364)	(2,168,219)

Section	Dated					
	31.12.2020					
	Thousands of NIS					
	Linked to USD	Linked to EURO	CPI-Linkage	No linkage	Amount	
Cash and Cash Equivalents	27,218	12,424	-	443,993	483,635	
Short-Term Deposits	-	-	-	102,121	102,121	
Short-Term Restricted Cash	-	-	-	120	120	
Customers	-	-	-	156,755	156,755	
Debits and Debit Balances	-	-	-	29,004	29,004	
Inventory	-	-	-	65,683	65,683	
Total Current Assets	27,218	12,424	-	797,676	837,318	
Investment in investee corporations accounted for using the equity method	-	68,205	-	58,400	126,605	
Right-of-Use Asset	-	-	18,258	3,969	22,227	
Fixed Assets	-	-	-	67,363	67,363	
Reputation	-	-	-	-	-	

Section	Dated				
	31.12.2020				
	Thousands of NIS				
	Linked to USD	Linked to EURO	CPI-Linkage	No linkage	Amount
Long-Term Deposits	-	-	-	5,233	5,233
Total Non-Current Assets	-	68,205	18,258	134,965	221,428
Total Assets	27,218	80,629	18,258	932,641	1,058,746
Short-term loans, and current maturities of long-term bank loans	-	-	-	(64,787)	(64,787)
Current maturities of lease liabilities	-	-	(1,506)	(276)	(1,782)
Suppliers and Service Providers	(46,629)	-	-	(48,670)	(95,299)
Other payables and credit balances	-	-	-	(4,801)	(4,801)
Financial Derivatives	-	-	-	(1,708)	(1,708)
Current Tax Liability	-	-	-	(1,535)	(1,535)
Total Current Liabilities	(46,629)	-	(1,506)	(121,777)	(169,912)
Long-Term Bank Loans	-	-	-	(25,244)	(25,244)
Lease Liabilities	-	-	(17,692)	(3,937)	(21,629)
Related Loans	-	-	-	(11,721)	(11,721)
Deferred Taxes	-	-	-	(4,407)	(4,407)
Bonds	-	-	-	-	-

Section	Dated				
	31.12.2020				
	Thousands of NIS				
	Linked to USD	Linked to EURO	CPI-Linkage	No linkage	Amount
Other Liabilities	-	-	-	(1,132)	(1,132)
Total Non-Current Liabilities	-	-	(17,692)	(46,441)	(64,133)
Share Capital and Premium	-	-	-	(1,014,211)	(1,014,211)
Retained Earnings (Loss Balance)	-	-	-	232,923	232,923
Equity Funds	-	-	-	(43,602)	(43,602)
Total equity attributable to the Company's shareholders	-	-	-	(824,890)	(824,890)
Non-Controlling Interests	-	-	-	189	189
Total Equity	-	-	-	(824,701)	(824,701)
Total Liabilities and Equity	(46,629)	-	(19,198)	(992,919)	(1,058,746)

Sensitivity Tests

Sensitivity USD (NIS)	USD/NIS	Change
Base	459,608,419	-
5%	470,838,156	11,229,737
(5%)	448,378,681	(11,229,737)
10%	482,067,893	22,459,474
(10%)	437,148,944	(22,459,474)

Euro Sensitivity (NIS)	EUR/NIS	Change
Base	91,906,445	-
5%	94,204,106	2,297,661
(5%)	89,608,784	(2,297,661)
10%	96,501,767	4,595,322
(10%)	87,311,123	(4,595,322)

GBP Sensitivity (NIS)	GBP/NIS	Change
Base	25,502,306	-
5%	26,147,285	644,979
(5%)	24,857,328	(644,979)
10%	26,792,264	1,289,958
(10%)	24,212,349	(1,289,958)

Sensitivity Index	Balance of principal (NIS)	Change
Base	398,317,615	-
5%	418,233,496	20,210,636
(5%)	378,401,735	(20,210,636)
10%	438,149,377	40,421,272
(10%)	358,485,854	(40,421,272)

2.3 Donations

As of the date of the report, the Company has no donation policy. During the reporting period, the Company donated insignificant amounts.

2.4 Directors with accounting and financial expertise

At the meeting of the Board of Directors dated September 30, 2020, the Board of Directors, pursuant to Section 92(a) (12) of the Companies Law, decided that the appropriate minimum number of directors with accounting and financial expertise, including external directors (appointed in accordance with the provisions of the Companies Law subject to the transformation of the Company into a public company or a reporting corporation, as applicable), is two (including external directors) (hereinafter: the "**Appropriate Minimum Number**").

The Appropriate Minimum Number is determined considering, inter alia, the size of the Company, its areas of activity and the nature of the accounting and financial issues that arise in examining the financial position of the Company, preparing its financial statements and approving them.

In the opinion of the Company's Board of Directors, after receipt of affidavits of the directors, in which they detailed their education and business experience in accordance with the Companies Regulations (Conditions and Tests for a Director with Accounting and Financial Expertise and for a Director with Professional Qualifications) 5766-2005, in 2020, the members of the Company's Board of Directors who have accounting and financial expertise are Mr. Yoni Tal, Ms. Dafna Esther Cohen, Mr. Gili Cohen and Mr. Moshe Bar Siman Tov. For details regarding their education, skills, experience and knowledge on the basis of which the Company considers them to have financial accounting expertise, see Regulation 26 of Chapter IV - Additional Corporation Details.

2.5 Independent Directors

As of the date of the report, the Company has not adopted a provision in its Articles of Association regarding the proportion of independent directors. However, as of the date of the report, three of the directors of the Company (i.e. - Mr. Yoni Tal, Ms. Dafna Esther Cohen and Mr. Gilli Cohen) are independent directors, as this term is defined in the Companies Law. For details regarding Mr. Yoni Tal, Ms. Dafna Esther Cohen and Mr. Gilli Cohen, see Regulation 26 to Chapter D - additional Corporation details.

2.6 Internal Auditor

On January 31, 2020, the Company's Audit Committee approved the appointment of Mr. Haim Halfon as the Company's Internal Auditor. Below are details regarding the Internal Auditor:

Name of Internal Auditor:	Haim Halfon
Date of Appointment:	31.1.2021
Compliance with the conditions set forth in Sections 3(a) and 8 of the Internal Audit Law and 146(b) of the Companies Law:	The Internal Auditor is an accredited CPA with a BA in Economics and Accounting from the Hebrew University and a Master's Degree in Finance from the Hebrew University. In the opinion of the Company's Board of Directors, based on the Internal Auditor's notice, the Internal Auditor complies with the provisions of Section 146(b) of the Companies Law and the provisions of Sections 3(a) and 8 of the Internal Audit Law.
Holdings in Corporation Securities	To the best of the Company's knowledge, according to the Internal Auditor's notice, the Internal Auditor does not hold securities of the Company or a related entity to the Company, as defined in this term in the Fourth Appendix to the Securities Regulations (Periodic and Immediate Reports, 5730-1970).

Significant business relationships with the Company or a related entity:	In 2021 the Internal Auditor provided the Company with services related to the effectiveness of internal control. To the best of the Company's knowledge, based on the Internal Auditor's statement, the Internal Auditor has no significant business relationships or other material relationships with the Company or with a related entity to the Company, as such term is defined in the Fourth Appendix to the Securities (Periodic and Immediate Reports) Regulations, 5730-1970.
Corporation Employee/Service Provider:	The Internal Auditor provides internal audit services as an external entity to the Company via PKF Amit Halfon Accounting Office. The Internal Auditor provides services himself and via the employees of his office. It should be noted that the Internal Auditor does not play any additional role in the Company beyond his tenure as an Internal Auditor. To the best of the Company's knowledge, based on the Internal Auditor's statement, the Internal Auditor does not perform a function outside the Corporation that may create a conflict of interest with his role as an Internal Auditor in the Company.
Appointment Confirmation:	The Internal Auditor was appointed to the position in January 2021, the appointment of the Internal Auditor was approved in the Audit Committee. When approving the appointment, the members of the Audit Committee relied, inter alia, on the auditor's education and professional experience.
Organizational Supervisor:	The Supervisor of the Internal Auditor is the chairman of the Audit, Remuneration Committee and the Committee for the Examination of the Financial Statements. The decision regarding the appointment of the Chairman of the Audit Committee, the Remuneration Committee and the Committee for the Examination of the Financial Statements as responsible for the Internal Auditor was made considering that the entire audit program is determined and supervised by the Company's Audit Committee.
Work Plan:	The audit plan for 2021 included conducting a Company risk survey. Relying on the results of the risk survey and the Internal Auditor's recommendation on the basis thereof, at a meeting of the Audit Committee held in March 2022, the Audit Committee approved a multi-year audit plan, subject to approvals as they arise over time and an audit plan for 2022. The audit plan refers to the Company and subsidiaries of the Company, in Israel and abroad. The audit plan does not allow the Internal Auditor any discretion of deviation. However, the Company's Audit Committee annually approves an audit plan for the coming year, based on the multi-year audit plan and the need to conduct audits on additional issues. During the reporting period, no material transactions carried out by the Company were reviewed by the Internal Auditor.
The Scope of the Transaction:	During 2021, the Internal Auditor provided audit services totalling 240 hours. All audit hours were invested in conducting the Company's risk survey.
Professional Standards:	In accordance with the Internal Auditor's notice, the audit shall be conducted according to generally accepted professional standards for internal audits in Israel, including professional guidelines and briefings as approved by the Israel Internal Auditors Bureau. Based on the information provided to the members of the Board of Directors, in the opinion of the Company's Board of Directors, the Internal Auditor meets the requirements set forth in the Professional Standards.
Free information access:	During the reporting year, the Internal Auditor was given free access to the information requested by him.
Audit Reports:	During March 2022, the Internal Auditor submitted a risk survey and a recommendation for a multi-year audit plan.
Remuneration of the Internal Auditor:	The Internal Auditor's fee for internal audits is set at NIS 250 per hour plus VAT. With respect to the salary of the Internal Auditor, the Company's Board of Directors sees the remuneration as reasonable and estimates it will not affect the Internal Auditor's discretion when he visits the Company.

2.7 Details regarding the Corporation Auditor

The auditors of the Company are the BDO Ziv Haft Office.

Following are data regarding the auditor's fees:

Company Details	Name of Auditor	Type of Service	2021	2020
The Company	BDO Ziv Haft	Audit	450,000	180,000
Subsidiary and Inclusive Companies	KPMG	Audit	428,000	---

Auditor fees are brought to the approval of the Company's Board of Directors. The amount of the fees is discussed between the Company and the auditors based, inter alia, on the scope of the audit hours and market conditions, and is deemed reasonable and appropriate by management based on the nature of the Company and its scope of activities.

2.8 Events during the reporting period and following issuance of the Financial Status Report

For details regarding events occurring after the balance sheet date, see Note 28 to the consolidated financial statements dated December 31, 2021. In addition to that stated in Note 25 to the Financial Statements:

- On January 1, 2021 the Company ceased to be a "small corporation" as this term is defined in the Securities (Periodic and Immediate Reports) Regulations, 5730-1970. For further details, see the Immediate Report published by the Company on January 3, 2021 (reference number 2021-01-000067), the information contained therein is presented in this report by way of reference.
- On January 31, 2021, a Special General Meeting of the Company's shareholders was held, during which it was decided to appoint the undersigned Dafna Esther Cohen and Gili Cohen as external directors of the Company. For further details, see the Immediate Report published by the Company on February 2, 2021 (reference number 2021-01-013974), the information contained therein is presented in this report by way of reference.
- On January 31, 2021, the tenure of Dafna Esther Cohen and Gili Cohen as external directors of the Company took force. For details see Immediate Reports dated February 1, 2021 (reference no. 2021-01-013608 and 2021-01-013605)

- On February 1, 2021, the Board of Directors of the Company (after obtaining approval from the Audit Committee) approved the engagement of Andromeda Solutions Korlátolt Felelőségi Társaság ("Andromeda"), in an agreement to invest in Sunprime Generation Srl ("Sunprime") and on February 5, 2021, Andromeda entered into an agreement and began the transaction completion procedure. For further details, see the Immediate Reports published by the Company on February 1 and 7, 2021 (reference numbers 2021-01-012418 and 2021-01-015135), the information contained therein is presented in this report by way of reference.
- On February 15, 2021, the Company completed the establishment of a power storage system with a total output of approximately 3.22 megawatts in the Company's partner areas (a kibbutz) in the Project Corporation that maintains the power storage system. For details see the Immediate Report published by the Company on February 16, 2021 (reference number 2021-01-018453), the information contained therein is presented in this report by way of reference. It should be noted that at the time of the report the Company completed the establishment of an additional power storage system.
- In March and October 2021, the Company entered into framework agreements with Tesla Motors Netherlands B.V. to purchase power storage systems with a total output of a minimum of 100 and 200 megawatts, respectively, during the period between the end of March 2021 and March 2024, for a total of approximately \$84 million USD. For details, see the Immediate Reports published by the Company on March 16, 2021 (reference number 2021-01-035640) and November 2, 2021 (reference number 2021-01-03559), the information contained therein is presented in this report by way of reference.
- On March 18, 2021, the Company's Board of Directors approved the appointment of Tzvi Levin and Yonit Partok as directors of the Company as well as the terms of their tenure. For details see the Immediate Reports published by the Company on March 21, 2021 (reference numbers 2021-01-039192, 2021-01-039195 and 2021-01-039204), the information contained therein is presented in this report by way of reference.
- On March 23 and 25, 2021 Andromeda entered into and completed a transaction to purchase shares and shareholder loans granted to Sabinar Hive, S.L., which owns two solar projects with a total output of approximately 238 megawatts in Spain. For further details, see the Immediate Report published by the Company on March 24, 2021 (reference number 2021-01-042624), the information contained therein is presented in this report by way of reference.

- In May and November 2021, the Company entered into a transaction to acquire 50% of the shares of a Romanian company that holds the rights to establish a solar project with an approximate output of 155 megawatts in Romania. For further details, see the Immediate Reports published by the Company on May 27, 2021 (Ref. 2021-01-031756), July 4, 2021 (Ref. 2021-01-110811) and November 7, 2021 (Ref. 2021-01-094738), the information contained therein is presented in this report by way of reference.
- On May 25 and July 6, 2021, the Company entered into and completed a transaction to acquire 67% of the rights in Blue Sky Utility LLC and Blue Sky Utility Holding LLC, engaged in the advanced development, progress, licensing, planning, management, construction and maintenance of solar projects on the roofs of commercial buildings and storage systems in the United States. For further details, see the Immediate Report published by the Company on May 10, 2021, May 25, 2021, and July 6, 2021 (reference numbers 2021-01-081297, 2021-01-029851 and 2021-01-049006), the information contained therein is presented in this report by way of reference.
- On May 27, 2021 and September 28, 2021, Sunprime received notifications regarding securing tenders made by the Italian Electricity Services Administration (GSE) in relation to the establishment of additional solar systems with a total output of 30.3 megawatts and 37.3 megawatts and an average guaranteed rate by GSE of approximately 93.5 and 97.5 euro per megawatt, respectively. Furthermore, in September 2021, Noy-Nofar Europe converted a €5 million loan, previously granted to Sunprime, and provided Sunprime with a total of €10 million, for which Sunprime allotted additional shares, in a manner that at the date of the report Noy-Nofar Europe holds a chain of shares that constitute approximately 30% of the rights in Sunprime. For further details, see the Immediate Reports published by the Company on May 30, 2021 (reference number 2021-01-092139) and September 29, 2021 (reference number 2021-01-148881), the information contained therein is presented in this report by way of reference.
- On July 8, 2021, the Company's Board of Directors approved the appointments of Moshe Bar Tov and Uri Orbach as directors of the Company and the terms of their tenure. For further details, see the Immediate Reports published by the Company on July 8, 2021 (reference no. 2021-01-050623 and 2021-01-050626), the information contained therein is presented in this report by way of reference.

- On July 8, 2021, the Company's Board of Directors (after approval of the Remuneration Committee) approved, subject to the approval of the Company's General Meeting, the issuance of letters of exemption and an undertaking to indemnify the directors: Gili Cohen, Dafna Cohen, Yonit Partuk, Tziki Levin, Moshe Bar Siman Tov and Uri Orbach, an options plan for Company employees and officers (hereinafter: the "Options Plan"), whereby the Company will be entitled to allocate conversion options to the Company's shares at a rate of up to 5% of the Company's capital, and the allotment of 968,547 warrants that convert to the Company's shares by virtue of the options plan, at an exercise price of NIS 96.9 per share, to employees and officers of the Company. On December 30, 2021, the Company allocated the Option Letter. For further details, see the Immediate Reports published by the Company on July 8, 2021 (reference number 2021-01-050815) and December 30, 2021 (reference number 2021-01-187158) also describing the allocation of options published by the Company on July 22, 2021 (reference number 2021-01-056968), the information contained therein is presented in this report by way of reference.
- On August 16, 2021, the Company completed the issuance and registration for the trading of NIS 400,000,000 par value. Bonds (Series A). For more details see the Immediate Reports published by the Company on 11, 12, 15 and 16 August 2021 (reference numbers 2021-01-130833, 2021-01-131611, 2021-01-065704 and 2021-02-065944), the information contained therein is presented in this report by way of reference.
- On September 30, 2021, a general meeting of the Company's shareholders was held, during which the General Assembly approved the appointment of Ofer Yanai, Yoni Tal, Yonit Partok, Zvi Levin, Moshe Bar Siman Tov and Uri Orbach as Directors of the Company. Additionally, approval of the appointment of CPA Ziv Haft (BDO.9) as auditor of the Company until the end of the next Annual General Assembly and the authorization of the Company's Board of Directors to determine their remuneration, and the amendment of the Company's Articles of Association, as set forth in Appendix B to Meeting Convening Report. For further details see the Immediate Reports published by the Company on July 19, 2021 (reference number 2021-01-054904) and September 30, 2021 (reference number 2021-01-073903), the information contained therein is presented in this report by way of reference.

- In October 2021, the Company made a private allotment and registration for the trading of 7,744,907 ordinary shares of the Company, for a total payment of approximately 555 million NIS, to 16 representatives of Altshuler Shaham Pension and Provident Group Ltd., Phoenix Holdings Ltd., Migdal Insurance Company Ltd., I.D. Moore Investments Ltd., the Sephera Foundation and the Chatzvim Foundation. For further details see the Immediate Reports published by the Company on October 25, 2021 (reference number 2021-01-090994) and October 27, 2021 (reference number 2021-01-091786), the information contained therein is presented in this report by way of reference.
- On October 28, 2021, Nofar Europe B.V, a company held by the Company at the rate of 90% ("Nofar Europe"), entered into an agreement with Electrum SP. Z O.o. (hereinafter: "Electrum"), regarding the joint and exclusive possession of Electrum Nofar Energy sp. z o.o. ("Electrum Nofar"), a corporation that will be engaged in the initiation, development, and maintenance of solar and wind systems with an output of up to 1,250 megawatts, which will be held 80% by Nofar Europe and 20% by Electrum. On March 3, Electrum Nofar entered into an agreement with Electrum regarding the transfer of Electrum's rights in the portfolio of solar projects in Poland with an estimated output of up to 412 megawatts. For further details see the Immediate Reports published by the Company on November 21, 2021 (reference number 2021-01-168729) and March 6, 2022 (reference number 2022-01-022056), the information contained therein is presented in this report by way of reference.
- On November 24, 2021, Nopper Europe entered into an agreement with a third party to acquire a portfolio of solar projects throughout Poland with a total of approximately 185 megawatts, found under establishment and development. In accordance with the agreement signed between the parties, the purchase of each project will be performed over a period of between 15 and 21 months, provided that each project reaches RTB (Ready To Build). For further details, see the report published by the Company on November 24, 2021 (reference no. 2021-01-170472), the information contained therein is presented in this report by way of reference. For details regarding the status of the projects, see the tables in Section 1.4 above.
- On November 30, 2021, Blue Sky, and a corporation under its control entered into a framework agreement with a third party, pursuant to which the third party will act as a "TaxPartner", for projects to be established by the Blue Sky Group and approved by the Tax Partner in the amount of up to \$40 million. For further details, see the Immediate Report published by the Company on December 1, 2021 (reference number 2021-01-174921), the information contained therein is presented in this report by way of reference.

- On December 16, 2021, Battery Standalone Systems Storage entered into an agreement to acquire the full share capital of a corporation holding rights to establish a Cellarhead Project, which is an energy Battery Standalone Systems Storage project with a power grid connection point of between 300 and 349 megawatts and a storage output of approximately 700 megawatts per hour, assuming the use of batteries with a storage capacity of two hours. For further details, see the Immediate Reports published by the Company on December 19, 2021 (reference no. 2021-01-181458 and 2021-01-181539), the information contained therein is presented in this report by way of reference.
- On December 30, 2021, the Company entered into a market-making agreement with Excellence Investment Management and Securities Ltd. regarding market-making in the Company's shares. For further details, see the Immediate Report published by the Company on January 3, 2021 (reference number 2021-01-001570), the information contained therein is presented in this report by way of reference.
- On March 3, 2022 Olmedilla Hive S.L. entered into a Memorandum of Principles regarding the sale of electricity produced in the Olmedilla Project as a preliminary stage towards the signing of the Power Purchase Agreement. For further details regarding the terms of the Memorandum of Principles see the Immediate Report published by the Company on March 6, 2022 (reference no. 2022-01-022086), the information contained therein is presented in this report by way of reference.

3. Disclosure Provisions in Connection with the Corporation's Financial Reporting

3.1. Company Liabilities

For details regarding the status of a corporation's liabilities according to maturity dates, see Immediate Report (S.126) published near the date of publication of this report.

Ofer Yanai, Chairman of the
Board of Directors

Nadav Tana, Chief
Executive Officer

Date: March 29, 2022

Appendix A - Disclosure to Bondholders

	Series A Bonds
Date of Issuance	August 16, 2021
Nominal value of Bonds at the issuance date	400,000,000
Balance of outstanding bonds	400,000,000
Nominal value including linkage	403,143,418
Amount of accrued interest	2,239,489
Is this a substantive series	Yes
Fair value as included in the financial statements	398,317,615
Stock Exchange value as of December 31, 2021	419,360.00 NIS
Stock Exchange value near the reporting date (March 22, 2022)	421.124.00 NIS
Nominal interest (fixed)	Fixed annual interest rate of 1.48%
The principal payment date	<p>First payment, at the rate of 10% of the bond fund - on June 30, 2023</p> <p>Four additional payments at the rate of 6% of the nominal value of the bonds - on December 31 of each of the years 2023 and 2024 and June 30 of each of the years 2024 and 2025.</p> <p>Four additional payments at the rate of 4% of the nominal value of the bonds - on December 31, 2025 and 2026 and June 30 of each of the years 2026 and 2027.</p> <p>An additional payment of 50% of the nominal value of the bonds - on December 31, 2027</p>
Interest payment dates	On June 30 and December 31 of the years 2022 to 2027
Linkage	Linked to the July 2021 Index
The right to convert the bonds	---
Right to early redemption	A right exists at the initiative of the stock exchange or the Company. In the event of early redemption initiated by the Company, an amount equal to the higher of the market value (less the liability value due in the same quarter), the liability value of bonds or cash flow capitalized according to a bond yield plus 1.5% will be paid.
Guarantee to secure the Company's obligations under the Deed of Trust	---
Balance of nominal value of bonds purchased by a subsidiary of the Company	---
The Trustee	Mishmeret Trust Company Ltd., 48 Menachem Begin Road, Tel Aviv. Tel: 03-6774352; Fax: 03-6774344. Contact Person: CPA Rami Sveti. E-mail: office@mtrust.co.il.
Whether at the end of the reporting year or during it the company met all its obligations under the Trust Deed	Irrelevant
The existence of grounds for providing the bonds for immediate repayment	No

<p>Restrictions on Lien Deeds</p>	<p>Accordingly, the Company agreed not to create a new general current lien (general use) on any of its existing or future assets and rights, in favour of any third party, unless, at the same time, it creates a new general current lien on all of its assets, in the same proportion according to the debt ratio in respect of the bonds and towards the third party.</p>
<p>Additional Restrictions</p>	<p>The Company undertook to comply with the financial criteria of equity (as defined in the Deed of Trust) which shall not be less than 550 million NIS, the ratio between solo equity and total net balance sheet (as defined in the Deed of Trust) shall not be less than 35% , and as of December 2023, the ratio of net financial debt, consolidated to EBITDA (as defined in the Deed of Trust) shall not exceed 15.</p> <p>The Deed of Trust also includes conditions for expanding the series of bonds (as detailed in section 2.4 of the Deed of Trust), conditions regarding issuance of additional series of bonds (as detailed in Section 2.9 of the Deed of Trust), restrictions regarding distribution (as detailed in Section 4.6 of the Deed of Trust), change of control of the Company, as well as an interest adjustment mechanism (as detailed in section 6.1 in the terms overleaf in the First Appendix to the Deed of Trust). For further details, see Sections 2.4, 2.9, 4.5, 4.6 to the Deed of Trust and 6.1 in the terms overleaf in the First Appendix to the Deed of Trust, which was published in the Immediate Report on August 16, 2021 (reference no. 2021-01-065944), the information contained therein is presented in this report by way of reference.</p>
<p>General Meetings and Reports on behalf of the Trustee</p>	<p>---</p>

Part C

Consolidated financial
statements for
December 31, 2021





Table of contents

Letter of consent for the inclusion of the Company's auditor's report to be issued at the same time as the publication of a periodic report

2

Auditor's report on the consolidated financial statements

3

Consolidated statements of financial position

4-5

Consolidated statements of earnings or loss and other comprehensive income

6

Consolidated statements of changes in equity

7-9

Consolidated statements of cashflows

10-11

Notes to consolidated financial statements

12-69

Holdings appendix

70-72

March 29, 2022

The Board of Directors of O.Y. Nofar Energy Ltd. (hereinafter the "Company")

4 Ha'odem St., Yitzhar Industrial Park Ad Halom

Dear Sir or Madam:

Subject: Letter of consent for O.Y. Nofar Energy Ltd.'s shelf prospectus of December 2020

We write to inform you that we consent to the inclusion (including by way of referral) of our reports listed below in shelf offerings that will be published by you based on a shelf prospectus from December 2020:

- 1) The auditor's report dated March 29, 2022, on the Company's financial for December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021.
- 2) The auditor's report dated March 29, 2022, on the Company's separate financial information in accordance with regulation 9C of the Securities (Periodic and Immediate Reports) Regulations 5730-1970 for December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021.

Ziv Haft

Certified Public Accountants

אילת | נצרת עילית | מודיעין עילית | פתח תקווה | קרית שמונה | בני ברק | באר שבע | חיפה | ירושלים | תל אביב
08-6339911 | 04-6555888 | 08-9744111 | 077-7784180 | 077-5054906 | 073-7145300 | 077-7784100 | 04-8680600 | 02-6546200 | 03-6386868

www.bdo.co.il | **משרד ראשי:** בית אמות BDO, דרך מנחם בגין 48, תל אביב, 6618001 **דוא"ל:** bdo@bdo.co.il **בקרן באתר שלנו:** www.bdo.co.il

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Auditor's report for the shareholders of O.Y. Nofar Energy Ltd.

We have audited the accompanying consolidated statements of financial position of O.Y. Nofar Energy Ltd. (hereinafter the "Company") as at December 31, 2021 and 2020, and the consolidated statements of earnings or loss and other comprehensive income, changes in equity and cashflows for each of the three years during the period that ended on 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 on these financial statements based on our audit.

We have not audited the financial statements of the consolidated entity as at July 1, 2021, whose assets included in the consolidation constitute approximately 14% of the total consolidated assets as at December 31, 2021, and its revenue included in the consolidation constitutes approximately 0.6% of the total consolidated revenue for the six months ended December 31, 2021. The financial statements of that entity have been audited by other accountants whose report has been provided to us, and our opinion, insofar as it addresses amounts included in respect of that entity, is based on the report of other accountants. In addition, the data included in the financial statements and relating to the balance sheet value of the investments and the Company's share of the business results of investee companies presented on the basis of the balance sheet value are based on financial statements, some of which have been audited by other auditors.

We conducted our audit in accordance with auditing standards generally accepted in Israel, including the standards prescribed in the Auditors' (Auditors' Mode of Performance) Regulations 5733-1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Company's board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and on the other accountants' reports, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and the consolidated companies as at December 31, 2021 and 2020, and of the results of its operations, its changes in equity and cashflows for each of the three years in the period ending on December 31, 2021 and in conformity with the International Financial Reporting Standards (IFRS) and the provisions of the Securities (Annual Financial Statements) Act 5770-2010.

Tel Aviv, March 29, 2022

Ziv Haft
Certified Public Accountants

אילת | נצרת עילית | מודיעין עילית | פתח תקווה | קרית שמונה | בני ברק | באר שבע | חיפה | ירושלים | תל אביב
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משרד ראשי: בית אמות BDO, דרך מנחם בגין 48, תל אביב, 6618001 דוא"ל: bdo@bdo.co.il בקרו באתר שלנו: www.bdo.co.il

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Consolidated statements of financial position

		As at December 31	
		2021	2020
	Note	Thousands of ILS	
Assets			
Current assets:			
Cash and equivalents	5	904,345	483,635
Short-term deposits		161,025	102,121
Deposits with restricted use		640	120
Customers	6	234,469	156,755
Debts and mandatory balances	7	22,780	29,004
Inventory	8	56,619	65,683
Total current assets		1,379,878	837,318
Noncurrent assets:			
Investment in corporations held and treated in equity method	9	398,032	126,605
Right-of-use asset	10	64,119	22,227
Fixed assets	11	200,387	67,363
Intangible assets	12	119,310	-
Long-term limited cash		963	-
Long-term deposits		5,530	5,233
Total noncurrent assets		788,341	221,428
Total assets		2,168,219	1,058,746

The attached notes constitute an integral part of the financial reports.

Consolidated statements of financial position

		As at December 31	
		2021	2020
	Note	Thousands of ILS	
Liabilities and capital			
Current liabilities:			
Short-term loans and current maturity of long-term loans from banking corporations	13	37,671	64,787
Current maturity of liabilities for leases	10	4,546	1,782
Suppliers and service providers	14	67,930	95,299
Payables and credit balances	15	18,139	4,801
Financial derivatives		1,981	1,708
Current tax liability		-	1,535
Total current liabilities		130,267	169,912
Noncurrent liabilities:			
Long-term loans from banking corporations	17	66,070	25,244
Liabilities for leases	10	63,566	21,629
Loan from related party	27	18,171	11,721
Deferred taxes	25	42,742	4,407
Bonds	18	398,318	-
Other liabilities		5,660	1,132
Total noncurrent liabilities		594,527	64,133
Capital:			
Capital attributed to the Company's shareholders			
Share capital and premium	19	1,568,696	1,014,211
Loss balance		(226,071)	(232,923)
Capital funds		49,406	43,602
Total capital attributed to the Company's shareholders		1,392,031	824,890
Minority interests		51,394	(189)
Total capital		1,443,425	824,701
Total liabilities and capital		2,168,219	1,058,746

March 29, 2022

Financial reports' authorization
date for publication

Ofer Yanai
Chairman of the
board of directors

Nadav Tana
CEO

Noam Fisher
CFO

The attached notes constitute an integral part of the consolidated financial reports.

Consolidated statements of earnings or loss and other comprehensive income

		Year ended December 31		
		2021	2020	2019
		Note	Thousands of ILS	
Revenue	20	360,762	214,568	141,648
Establishment and operating costs	21	327,027	181,134	120,875
Gross profits		33,735	33,434	20,773
Sales and marketing expenses		7,516	2,797	2,298
Management and general expenses before allocation of shares and a one-time bonus for officers	22	16,935	7,429	4,533
The company's share in companies' losses handled with the equity method, net	9	211	952	3,523
Other revenue	23	960	111	-
Other expenses	23	381	1,954	-
Operating profit before allocation of shares and a one-time bonus for officers		9,652	20,413	10,419
Allocation of shares and a one-time bonus for officers		-	281,654	-
Operating earnings (loss)		9,652	(261,241)	10,419
Financing costs	24	23,403	5,520	3,378
Financing revenue	24	17,463	1,030	-
Net financing revenue		5,940	4,490	3,378
Earnings (loss) prior to income taxes		3,712	(265,731)	7,041
Income tax expenses (tax benefit)	25	671	(13,325)	2,169
Annual earnings (loss)		3,041	(252,406)	4,872
<u>Other total earnings (loss) (after tax):</u>				
<u>Amounts to be classified or reclassified to earnings or loss under specific conditions</u>				
Adjustments arising from the translation of financial statements of foreign operations		(29,833)	(192)	-
<u>Items that will not be subsequently reclassified due to earnings or loss:</u>				
The share in total earnings of corporations handled with the equity method		25,613	19,307	10,545
Revaluation in respect of fixed assets		9,406	265	8,522
		35,019	19,572	19,067
Total other profits		5,186	19,380	19,067
Total annual earnings (loss)		8,227	(233,026)	23,939
<u>Total annual earnings (loss) attributed to:</u>				
The company's shareholders		3,763	(252,217)	4,872
Minority interests		(722)	(189)	-
		3,041	(252,406)	4,872
<u>Total annual earnings (loss) attributed to:</u>				
The company's shareholders		8,949	(232,837)	23,939
Minority interests		(722)	(189)	-
		8,227	(233,026)	23,939
Basic and diluted earnings (loss) per share (ILS) attributed to the Company owner	26	0.14	(18.84)	0.49 (*)

(*) Retroactively adjusted due to the split of the Company's share capital (see note 19).

The attached notes constitute an integral part of the consolidated financial reports.

Consolidated statements of changes in equity

Year ended December 31, 2021

	Capital attributed to the parent company's owner						Minority interests	Total capital
	Share capital and premium	Capital fund for revaluation of fixed assets	Adjustments arising from the translation of financial statements of foreign operations	Share capital for share-based payment	Loss balance	Total capital attributed to the Company's shareholders		
	Thousands of ILS							
Balance as at January 1, 2021	1,014,211	43,794	(192)	-	(232,923)	824,890	(189)	824,701
Share-based payment	-	-	-	3,707	-	3,707	-	3,707
Issuance of private shares	554,485	-	-	-	-	554,485	-	554,485
Annual earnings	-	-	-	-	3,763	3,763	(722)	3,041
Total other earnings (loss):								
Adjustments arising from the translation of financial statements of foreign operations	-	-	(29,833)	-	-	(29,833)	-	(29,833)
Revaluation in respect of revaluation of fixed assets	-	9,406	-	-	-	9,406	-	9,406
The share in total earnings of corporations handled with the equity method	-	25,613	-	-	-	25,613	-	25,613
Total other earnings (loss)	-	35,019	(29,833)	-	-	5,186	-	5,186
Total annual earnings (loss)	-	35,019	(29,833)	-	3,763	8,949	(722)	8,227
Entering consolidation	-	-	-	-	-	-	52,305	52,305
Transfer of a revaluation capital reserve in respect of fixed assets to the loss balance	-	(3,089)	-	-	3,089	-	-	-
Balance as at December 31, 2021	1,568,696	75,724	(30,025)	3,707	(226,071)	1,392,031	51,394	1,443,425

The attached notes constitute an integral part of the consolidated financial reports.

Consolidated statements of changes in equity

Year ended December 31, 2020

	Capital attributed to the parent company's owner					Minority interests	Total capital
	Share capital and premium	Capital fund for revaluation of fixed assets	Adjustments arising from the translation of financial statements of foreign operations	Surplus (loss balance)	Total capital attributed to the Company's shareholders		
	Thousands of ILS						
Balance as at January 1, 2020	1	25,051	-	18,465	43,517	-	43,517
Issuance of private shares	224,680	-	-	-	224,680	-	224,680
Issuance of shares to the public (less issuance expenses)	555,798	-	-	-	555,798	-	555,798
Allocating shares to officers	233,732	-	-	-	233,732	-	233,732
Annual loss	-	-	-	(252,217)	(252,217)	(189)	(252,406)
Total other earnings (loss):							
Adjustments arising from the translation of financial statements of foreign operations	-	-	(192)	-	(192)	-	(192)
Revaluation in respect of revaluation of fixed assets	-	265	-	-	265	-	265
The share in total earnings of corporations handled with the equity method	-	19,307	-	-	19,307	-	19,307
Total other earnings (loss)	-	19,572	(192)	-	19,380	-	19,380
Total earnings (loss)	-	19,572	(192)	(252,217)	(232,837)	(189)	(233,026)
Transfer of a revaluation capital reserve in respect of fixed assets to the surplus	-	(829)	-	829	-	-	-
Balance as at December 31, 2020	1,014,211	43,794	(192)	(232,923)	824,890	(189)	824,701

The attached notes constitute an integral part of the consolidated financial reports.

Consolidated statements of changes in equity

Year ended December 31, 2019

	Share capital and premium	Capital fund for revaluation of fixed assets	Surpluses	Total capital
	Thousands of ILS			
Balance as at January 1, 2019	1	6,261	13,316	19,578
Annual earnings	-	-	4,872	4,872
<u>Total other earnings:</u>				
Revaluation in respect of revaluation of fixed assets	-	8,522	-	8,522
The share in total earnings of corporations handled with the equity method	-	10,545	-	10,545
Total other profits	-	19,067	-	19,067
Total earnings	-	19,067	4,872	23,939
Transfer of a revaluation capital reserve in respect of fixed assets to the surplus	-	(277)	277	-
Balance as at December 31, 2019	1	25,051	18,465	43,517

The attached notes constitute an integral part of the consolidated financial reports.

Consolidated statements of cashflows

	Year ended December 31		
	2021	2020	2019
	Thousands of ILS		
Cashflows from current operations:			
Annual earnings (loss)	3,041	(252,406)	4,872
Adjustments required to present cashflows from current operations:			
Depreciation and amortization	6,749	3,233	919
Net financing revenue	5,940	4,490	3,378
Allocating shares to officers	-	233,732	-
The company's share in companies' losses handled with the equity method, net	211	952	3,523
Capital loss	128	-	-
Share-based payment expenses	3,707	-	-
	16,735	242,407	7,820
Changes in assets and liabilities sections:			
Decrease (increase) in inventory	9,064	(59,766)	(2,649)
Increase in customers	(76,986)	(114,828)	(10,992)
Decrease (increase) in liabilities	10,245	(12,872)	(206)
Increase (decrease) in creditors and accounts payable	(34,957)	(884)	2,927
Change in shareholders	-	103	81
Increase (decrease) in vendors in service providers	(27,711)	72,997	11,339
Changes in deferred taxes	832	(13,786)	421
Increase (decrease) in current tax liabilities	(161)	421	1,595
	(119,674)	(128,615)	2,516
Paid income taxes	(1,508)	-	(594)
Received taxes	135	1,002	-
Interest received in cash	-	57	-
Interest paid in cash	(2,378)	(4,644)	(1,219)
Net cash from (to) current operations	(103,649)	(142,199)	13,395
Cashflows from investing activities:			
Investments in corporations handled with the equity method	(261,653)	(71,101)	(3,509)
Loan granted to the Company handled with the equity method	-	-	(12,382)
Obtaining control in the investee company (appendix B)	(16,184)	716	-
Decrease in use-restricted deposits	2,214	1,043	394
Deposit to short-term deposits	(59,202)	(106,742)	-
Investments in fixed assets	(22,050)	(14,532)	(19,015)
Consideration from realization of fixed assets	1,527	16	6
Net cash used for investment activities	(355,348)	(190,600)	(34,506)
Cashflows from financing activities:			
Issuance of shares (less issuance expenses)	554,965	224,680	-
Issuance of shares to the public (less issuance expenses)	-	555,798	-
Net short-term credit from banking corporations	(36,558)	(3,386)	23,724
Net issuance bonds	394,421	-	-
Repayment of liabilities for lease	(2,765)	(359)	(85)
Receipt of loan from related party	5,000	11,721	-
Receipt of long-term loans from banking corporations	-	26,020	1,500
Repayment of long-term loans from banking corporations	(26,176)	(3,994)	(1,875)
Net cash derived from financing activities	888,887	810,480	23,264
Increase in cash and equivalents	429,890	477,681	2,153
Balance of cash and equivalents at the beginning of the year	483,635	6,184	4,031
Impact of changes in foreign-currency exchange rates in respect of cash and equivalents	(9,180)	(230)	-
Balance of cash and equivalents at the end of the year	904,345	483,635	6,184

The attached notes constitute an integral part of the consolidated financial reports.

Consolidated statements of cashflows

	Year ended December 31		
	2021	2020	2019
	Thousands of ILS		
Appendix A – significant non-cash transactions			
Initial recognition of right-of-use property and liability for lease	17,312	2,291	11,653
Consideration from realization of fixed assets	2,865	-	-
Appendix B – Obtaining control in the investee company			
Net working capital excluding cash and equivalents	(33,228)	751	-
Investment in investee company	-	2,793	-
Fixed assets and intangible assets	236,750	13,007	-
Right-of-use asset	29,764	9,654	-
Related parties	(10,141)	(16,590)	-
Liability for lease	(32,731)	(10,090)	-
Other short-term leases	(97,211)	(330)	-
Deferred taxes	(27,469)	89	-
Minority interests	(54,814)	-	-
Goodwill	1,464	-	-
Restricted cash	3,800	-	-
	16,184	(716)	-

The attached notes constitute an integral part of the consolidated financial reports.

Note 1 – General:

- i. O.Y. Nofar Energy Ltd. (hereinafter the “Company”) incorporated on April 7, 2011, as a private company, in accordance with the Companies Act. The Company is resident in Israel, and the address of its registered office is 4 Odem St., Yitzhar Industrial Park, Ad Halom.

As of the statement date, the Company engages itself and through corporations it holds (hereinafter the “Group”), directly and in concatenation, including in collaboration with third parties, in long-term entrepreneurial and investment activities in systems to generate “clean” power from solar power and to store energy in batteries in Israel, the USA and Europe, as well as in the establishment (EPC), operation and maintenance (O&M) of photovoltaic system in Israel primarily for corporations it holds, including in collaboration with third parties. The Company’s operations are based on collaborating with local entrepreneurs abroad and kibbutzim or real estate companies in Israel regarding the establishment of a joint corporation that is held by the company and the partner in parts, as agreed between the parties. In Israel, the collaboration is with kibbutzim or real estate companies that own land or sites that are suitable for the establishment of the corporations, and abroad, the collaboration is with local entrepreneurs with the knowledge, experience and ability to establish the projects and to execute them.

In addition, in Israel, the Company is also the construction contractor and maintenance contractor for most projects (solar projects and battery-storage projects) that operates along the value chain of establishing the systems, which gives the Company the knowledge, experience and reputation that allows the Company to oversee the planning, establishment and maintenance of the projects and to initiate projects that include use of the unique technologies (such as floating systems, storage facilities etc.), which leaves the Company and its project partners a considerable share of the earnings stemming from initiating the projects and contributes to promoting the systems owned by the Group’s companies relatively quickly and for these systems to be planned and maintained optimally and efficiently.

- ii. In August 2020, the Company engaged with the Noy 3 Fund to invest in Infrastructure and Energy Limited Partnership (hereinafter the “Noy Fund”) in a sale and investment agreement with the Company. In accordance with the agreement, the Noy Fund purchased shares of the Company that constitute 24.97% of the Company’s share capital for the consideration of the net sum of ILS 224.7 million (see note 16(i)(3)).
- iii. In August 2020, the Company entered into a joint investment agreement with the Noy Fund in Renewable Energies Europe (see also note 16(i)(5)).
- iv. In December 2020, the Company completed issuing shares to the public, and from that date, the Company has been a public company, as that term is defined in the Companies Act. As part of the issuance, 5,802,950 shares without par value that were issued by the Company for the consideration of a net sum of ILS 556 million were offered to the public (see note 19(iii)).
- v. On July 6, 2021, an agreement was signed to purchase 67% of the rights in Blue Sky Utility LLC and Blue Sky Utility Holding LLC jointly in the Blue Sky Group (see also notes 12 and 16(i)(12)).
- vi. On July 8, 2021, the Company’s board of directors decided to adopt an options plan for employees and officers (see also note 16(i)(2)(b)).
- vii. In August 2021, the Company completed the issuance and listing for trade of ILS 400 million of public bonds (see also note 18).
- viii. In October 2021, the Company made a private issuance and listing for trade of 7,744,907 ordinary Company shares in exchange for consideration in the amount of about ILS 555 million to 16 offerees from the group of Altshuler Shaham Pension and Provident Fund Ltd., Phoenix Holdings Ltd., Migdal Insurance Company Ltd., Y.D. Mor Investments Ltd., the Safra Fund and the Hazavim Fund (see also note 19(v)).

Note 1 – General (continued):

ix. Covid outbreak

During the first quarter of 2020, COVID-19 (“Covid”) spread throughout the world, following which many countries, including Israel, employed various (increasing) measures to reduce exposure to the virus, including restricting movement and gatherings, issuing guidelines to isolate persons who may have been infected by the virus, closing businesses, places of entertainment etc. The spread of Covid has not yet ceased, and there is uncertainty as to the steps and measures that may be taken by state authorities in the immediate future and in the long term.

The Covid crisis has profound and various consequences for the global economy and the Israeli economy, including declining consumption, layoffs, volatility in the exchange rates of various currencies etc., and as of the date of approval of the Company’s financial statements for December 31, 2021, the full scope and/or length of time needed to address them are not yet known.

The Company examined the Company’s financial position, results of operations, liquidity, sources of financing and ability to meet its liabilities and believes, as of the date of publication of the statement, that it has a good financial capacity to deal with this crisis and repay its liabilities. The continuation and exacerbation of the spread may have a negative impact, including a significant one, on (among other things) the world economy, including the Israeli economy (including recession), the availability of some of the raw materials used for the company’s operations (including through subcontractors) and workforce availability. However, in light of the uncertainty, it is not possible to fully estimate the impact of the events in full should the crisis worsen or last for a long time.

It should be noted that following the spread of the virus and the restrictions imposed following it, the Electricity Authority published decisions and hearings to extend the deadlines for the synchronization and operation of photovoltaic systems, including competitive procedures, tariff systems and defaults, by seven to eight months (and for most competitive procedures, the maximum required deadlines by thirteen months) in relation to the original dates set in the various regulations. These postponements have reduced (and will reduce) the exposure to forfeiture of construction guarantees and noncompliance with system connection schedules due to delays resulting from the reduction in the number of workers in workplaces, closures and restrictions on movement imposed around the world.

Note 2 – Significant accounting policies:

The accounting policies set out below have been applied consistently to the financial statements to all periods presented, unless specified otherwise.

i. Basis of presentation of the financial statements

These financial statements have been prepared in compliance with International Financial Reporting Standards (hereinafter "IFRS"). In addition, the financial statements been prepared in compliance with the provisions of the Securities (Annual Financial Statements) Regulations 5770-2010.

The financial statements have been prepared on the basis of cost, excluding: Some items of fixed assets measured according to a revaluation model, financial liabilities (including derivative instruments) that are presented at fair value through earnings or loss, and investments in joint transactions and affiliates that are presented using the equity method. The financial statements are presented in new shekels (ILS), and all sums have been rounded to the nearest thousand, unless specified otherwise.

The Company chose to present the earnings or loss items based on the nature of activity method.

ii. Period of the operating cycle

The Company's operating cycle is one year.

iii. Consolidated financial statements

The consolidated financial statements include the financial statements of companies the Company has control over (subsidiaries). Control exists when the Company has power over the invested entity, exposure or rights to variable returns as a result of its involvement in the invested entity and the ability to use its power to influence the amount of returns derived from the invested entity. In terms of control, the effect of potential voting rights is considered only if they are real. Consolidation of the financial statements is performed from the date of obtaining control until the date when control was discontinued.

The financial statements of the Company and the subsidiaries were prepared for the same dates and periods. The accounting policy in the financial statements of the subsidiaries was applied uniformly and consistently with that which was applied in the Company's financial statements. Significant mutual balances and transactions and earnings and losses arising from transactions between the Company and the subsidiaries were fully cancelled out in the consolidated financial statements.

Rights that do not confer control over subsidiaries represent the capital in the subsidiaries that cannot be attributed, directly or indirectly, to the parent company. Rights that do not confer control are presented separately as part of the Company's equity. Earnings or loss and any other component of total earnings are attributed to the Company and to rights that do not confer control.

Changes in the holding rate in a subsidiary, which do not lead to a loss of control, are recognized as a change in capital by adjusting the balance of rights that do not confer control against the capital attributed to the Company's shareholders, deducting/adding consideration paid or received.

iv. Acquiring assets

When acquiring an asset or group of assets that do not constitute a business, the Company identifies the identifiable individual assets acquired and the liabilities taken and sells them. The total cost is allocated to the identifiable individual assets and liabilities based on their relative fair-value values at the time of acquisition; transaction costs are recognized as a cost reduction. A transaction or event of this kind does not create goodwill.

Note 2 – Significant accounting policies (continued):

v. Investment in included companies and in joint ventures

Included companies are companies in which the Company has a significant influence, but not control (power to participate in decisions that do not reach the level of control). The investment in an included company is presented on the basis of the equity method. When the Company has an agreed contractual share of control of the arrangement according to which decisions regarding the relevant activities of the arrangement require the unanimous consent of the parties sharing control, the Company has joint control of that arrangement. When the Company has a right to net assets of a joint arrangement, the Company classifies the arrangement as a joint venture. The company handles joint ventures using the equity method.

vi. Investments handled using the equity method

Initial investments in included companies, when establishing project corporations, including shareholder loans, are treated in accordance with the equity method, since they form part of the partners' investments.

According to the equity method, the investment in the included company is presented at cost plus post-acquisition changes in the Company's share of net assets, including other comprehensive earnings of the included company. Earnings and losses arising from transactions between the Company and the included company are eliminated in accordance with the holding rate in the section of the Company's share of the companies' losses handled according to the equity method, net.

The financial statements of the Company and the included companies were prepared for the same dates and periods. The accounting policy in the financial statements of the included companies was applied uniformly and consistently with that which was applied in the Company's financial statements. The equity method is applied until the date of the loss of significant influence in the Company or its classification as an investment held for sale.

At the time of loss of significant influence, the Company measures the fair value of any investment remaining in the included company and recognizes earnings or loss in the difference between the consideration from the realization of the investment in the included company and the fair value of the remaining investment and the book value of the investment made at that date.

In addition, the Company is reclassified to earnings or loss in proportion to amounts previously recognized in other comprehensive income if those amounts were reclassified to earnings or loss on the exercise of the related assets or related liabilities.

vii. Functional currency, presentation currency

The functional currency is the currency that best reflects the economic environment in which the Company and its deals operate, and it set separately for each company in the Company, including a company presented according to the equity method, and based on this currency, its financial situation and business results are measured. The financial statements of foreign operations have been converted to the Company's presentation currency while using the following procedures:

1. Assets and liabilities for every statement of financial status have been converted based on the immediate exchange rate at the end of the reporting period.
2. Income and expenses for the earnings or loss and other comprehensive income statement have been converted based on the exchange rate at the time of transactions.
3. Share capital, capital funds and other capital transactions have been converted based on the exchange rate at the time they were created.

Note 2 – Significant accounting policies (continued):

4. The surplus balance is based on the opening balance for the beginning of the reporting period plus transactions converted as stated in sections 2 and 3 above.
5. The exchange differences created were recognized in other comprehensive income and accumulated to capital.

The Company's functional currency is the shekel. The financial statements' presentation currency is the shekel.

Transactions, assets and liabilities in foreign currency

Transactions denominated in foreign currency (a currency other than the functional currency) are recorded upon initial recognition according to the exchange rate at the date of the transaction. After the initial recognition, monetary assets and liabilities denominated in a foreign currency are converted on each reporting date to the functioning currency based on the exchange rate at that date. Differences in the rate are reduced to earnings or loss.

Index-linked financial items

Assets and financial liabilities linked according to their terms to changes in the Israeli consumer price index (hereinafter the "Index") are adjusted according to the relevant Index, at each reporting date, according to the terms of the agreement.

viii. Cash and equivalents

Cash equivalents are considered to be investments with high liquidity, which include short-term deposits at banking corporations that are not restricted by an encumbrance, whose original term does not exceed three months from the date of investment or that does exceed three months but may be immediately withdrawn without paying a penalty, and they form part of the Company's cash management.

ix. Short-term deposits

Short-term deposits at banking corporations whose original terms do not exceed three months from the investment date and that do not meet the definition of cash equivalents. The deposits are displayed in accordance with the terms of their deposit.

x. Inventory

Inventory is valued at the lower of cost and net realizable value. The cost of inventory includes the expenses of purchasing the inventory and bringing it to its present location and condition. Net realizable value is the estimated selling price during regular business, less the costs required to complete the sale.

xi. Recognizing revenue

Revenue from contracts with customers is recognized in earnings or loss when control of the asset or service is transferred to the customer. The transaction price is the amount of consideration that is expected to be received in accordance with the terms of the contract, less the amounts collected for the benefit of third parties (such as taxes).

In determining the amount of revenue from contracts with customers, the Company examines whether it is acting as a primary supplier or as an agent in a contract. The Company is a primary supplier when it controls a commodity or service promised prior to delivery to the customer. In these cases, the Company recognizes revenue in the gross amount of the consideration. In cases where the Company acts as an agent, the Company recognizes the income in a net amount, after deducting the amounts due to the main supplier.

Note 2 – Significant accounting policies (continued):

Revenue from providing services

Revenue from providing services is recognized over time, over the period in which the customer receives and consumes the benefits generated by the Company's performance. The Company collects payment from its customers in accordance with the payment terms agreed in specific agreements, where the payments can be before the time service is provided or afterward.

Revenue from construction

At the time of entering into a contract with a customer, the Company identifies the construction work as a performance undertaking. The Company recognizes revenue from construction contracts over time. The Company measures progress based on the costs incurred by the Company in relation to the total projected costs of the project (an input-based method).

Contractual balances

The Company binds customers in the event of a performance obligation in accordance with the terms of the contracts with the customers. These obligations are presented in the customer section of the statement of financial position. In cases where income is recognized in earnings or loss due to the fulfillment of a performance obligation and before the customers are charged, the amounts declared as unconditional are presented under the revenue receivable section.

Allocation of the transaction price

For contracts that include more than one performance obligation, the Company allocates the total transaction price in the contract on a pro rata basis of the separate sale price at the time of entering into the contract for each performance obligation identified. The separate selling price is the price at which the company would separately sell the goods or services promised in the contract.

Revenue including warranty services

As part of its contract, the Company provides warranty services to its customers in accordance with the provisions of law or in accordance with industry practice. In most of the Company's contracts, the warranty services are provided by it to ensure the quality of the work performed and not as an additional service provided to the customer. Accordingly, the liability does not constitute a separate performance obligation, and, therefore, in its financial statements the Company examines the need to recognize the provision for a warranty in accordance with the provisions of IAS 37.

xii. Income tax

Tax results in respect of current or deferred taxes are credited to earnings or loss, unless they relate to items recognized in other comprehensive income or capital.

1. Current taxes

Liability for current taxes is determined using the tax rates and tax laws that have been enacted or whose enactment has actually been completed, up to the reporting date, and adjustments are required in connection with the tax liability to be paid for previous years.

Note 2 – Significant accounting policies (continued):

2. Deferred taxes

Deferred taxes are calculated in respect of temporary differences between the amounts included in the financial statements and the amounts taken into account for tax purposes.

Deferred tax balances are calculated at the tax rate that is expected to apply when the asset is realized or the liability settled, based on the tax laws enacted or whose enactment has actually been completed by the reporting date.

At each reporting date deferred tax assets are examined in accordance with their expected utilization. Losses are carried forward, and temporary deductible differences for which deferred tax assets have not been recognized are examined on each reporting date, and a suitable deferred tax asset is recognized for them if they are expected to be utilized.

The calculation of deferred taxes does not take into account the taxes that would have applied in the case of the realization of investments in investee companies, with the rest of the company controlling the reversal date of the temporary difference and as long as the sale of investments in investee companies is not expected in the foreseeable future. In addition, deferred taxes on the distribution of profits by investee companies as dividends have not been taken into account because the distribution of the dividend does not involve additional tax liability, or due to the Company's policy not to initiate dividend distribution by a consolidated subsidiary entailing additional tax liability.

Deferred taxes are offset if there is a legal right to offset a current tax asset against a current tax liability, and the deferred taxes relate to the same taxable company and the same tax authority.

xiii. Leases (International Financial Reporting Standard 16 – IFRS 16)

The Company has elected to retroactively apply the provisions of the standard (without re-presenting the comparative figures).

The accounting policy applied as of January 1, 2019, in respect of leases is as follows:

The Company treats a contract as a lease when in accordance with the terms of the contract a right to control an identified property for a period of time is transferred for consideration.

1. The Company as a lessee

For transactions in which the Company is a lessee, it recognizes on the start date of a lease on a property a right of use against an undertaking in respect of a lease, except for lease transactions for a period of up to 12 months and leases in which the underlying asset has a low value, in which the Company has chosen to recognize the rent payments as an expense in earnings or loss with a straight line over the term of the lease. As part of measuring the liability in respect of a lease, the Company has chosen to apply the relief provided in the standard and has not separated lease components from non-lease components such as: management services, maintenance services and more, which are included in the same transaction.

On the start date, a liability in respect of a lease includes all the rent payments that have not yet been paid, capitalized at the interest rate inherent in the lease when it can be easily determined or at the Company's additional interest rate. After the start date, the Company measures the liability in respect of a lease using the effective interest method.

At the start date, a right-of-use property is recognized at the amount of the liability in respect of a lease plus rent paid on or before the start date, plus transaction costs incurred.

Note 2 – Significant accounting policies (continued):

The right-of-use property is measured in the cost model and amortized over its useful life, or the lease term – whichever is shorter.

The Company applies the standard for the roofs of buildings or storage facilities that it leases and on which it erects photovoltaic facilities, as well as for its offices and the Company's leased vehicles.

When there are signs of impairment, the Company examines the impairment of a right-of-use property in accordance with the provisions of IAS 36.

2. Index-linked rent payments

On the start date, the Company uses the index rate existing on the start date to calculate future rent payments.

In transactions in which the Company is a lessee, changes in the amount of future rent payments as the result of capitalized rent payments (without changes to the capitalization rate applying to a liability for a lease) to the balance of the right-of-use property, and they are credited accordingly to the lease liability, only when a change to cashflows arises from a change to the index (that is, on the date when the adjustment to rent payments comes into effect).

3. Variable rent payments

Variable rent payments that are based on performance or realization and that are not dependent on an index or interest are recognized as expenses in transactions in which the Company is a lessee and as income in transactions in which the Company is a lessor, on the date of their generation.

xiv. Fixed assets

Fixed assets are presented based on the cost (excluding photovoltaic systems, which are measured based on a revaluation model), plus the direct purchase costs, less accumulated amortization, less losses from accumulated impairment not included in current maintenance expenses. The cost includes replacement parts and auxiliary equipment used for the fixed assets.

Components of fixed assets with significant costs in proportion to the total cost of the item are amortized separately, based on the component method.

Note 2 – Significant accounting policies (continued):

Amortization is calculated at equal annual rates based on the straight-line method over the usable lifetime of the asset, as follows:

	Amortization rate
Photovoltaic facilities	4%
Office furniture and equipment	10%
Computers	33%
Vehicles	15%

Improvements to leaseholds are amortized over the shorter term between the usable lifetime of the improvement and the term of the lease.

The usable lifetime, the method of amortization and the residual value of each asset are examined at least at each year end, and the changes are treated as changes to the accounting estimate thereafter. The depreciation of assets ends at the earlier of the following: the date when the asset is classified as held for sale or the date when the asset is depreciated.

Revaluation of the photovoltaic systems is credited to the revaluation fund presented in capital, through earnings including others, less the effect of tax. The revaluation fund is transferred directly to surplus when the asset is depreciated, and also during the use of the asset in accordance with its depreciation rate.

Revaluation is performed regularly, once every three or five years, so ensure that the balance in the financial statements does not vary significantly from the fair value determined on the reporting date.

On the date of the revaluation, the gross value on the books was adjusted to be consistent with the asset's revaluation.

The impairment of a revalued asset was directly credited to other general earnings, up to the amount for which there is a positive balance in the revaluation fund for that asset. Further impairment, if any, was credited to earnings or loss. An appreciation of an asset as a result of revaluation is recognized in earnings or loss up to the amount that cancels out impairment that was previously recognized in earnings or loss. Any further additional impairment was credited to the revaluation fund through total other earnings.

xv. Impairment of non-financial assets

At the end of every reporting period, the Company examines whether there are indicators of impairment of non-monetary assets (excluding inventory, assets arising from construction contracts and deferred-tax assets) that require an impairment examination.

For the impairment examination of an asset other than goodwill, the Company calculated the recoverable amount of the asset. When the recoverable amount of the asset is less than the asset's value on the books, the Company recognized a loss from impairment and lowered the asset's value in the books to its recoverable amount. The Company recognized losses from immediate impairment in earnings or loss unless the asset is a fixed asset that was revalued in accordance with the revaluation model, when the loss was handled as a reduction of the revaluation (see note 2(xiv) above).

Note 2 – Significant accounting policies (continued):

If the recoverable amount of a single asset could not be estimated, the Company calculated the recoverable amount of the cash-generating unit to which the asset belongs. For the purpose of the impairment examination, goodwill was allocated from the date of acquisition to each of the cash-generating units that were expected to benefit from the synergy in the combination of business. When the Company recognizes a loss from impairment of a cash-generating unit, the Company allocates the loss from impairment to a value reduction in the books of the unit's assets, first against goodwill that was allocated to the unit, and then to the remaining assets on a pro rata basis based on their book values (subject to their recoverable amount).

At the end of each reporting period, the Company assesses whether there are indications of a loss from an asset's impairment recognized in previous reporting periods no longer exists or has been reduced. When there are such indicators, the Company calculates the asset's recoverable amount. The Company cancelled out loss from an asset's impairment only if there were changes to estimates used to calculate the asset's recoverable amount from the date when a loss from impairment was last recognized. The cancellation of an impairment loss increased the book value of the asset to the lower of the following: its recoverable amount or the book value that was determined (less depreciation or amortization) if no impairment loss had been recognized in previous reporting periods. The cancellation of an impairment loss of a cash-generating unit was allocated to the unit's assets on a pro rata basis to their book values and was handled similarly, except for goodwill: a loss due to impaired goodwill was not cancelled in later periods.

A cancellation of an impairment loss was recognized immediately in earnings or loss, unless the asset was a fixed asset whose revaluation was performed under the revaluation model, for which the cancellation was handled as an increase of the revaluation.

xvi. Financial instruments

The accounting policies implemented:

1. Financial assets

Financial assets are measured at the first date of recognition of fair value, plus transaction costs that can be directly attributed to the acquisition of the financial asset.

The Company classifies and measures the debt instruments in its financial statements on the basis of the following criteria:

- a. the Company's business model to manage financial assets and
- b. the financial asset's contractual cashflow characteristics.

The Company measures debt instruments at a reduced cost where the Company's business model is holding financial assets to collect contractual cashflows; and the contractual terms of the financial assets provide entitlement at specified dates to cashflows that are only payments of principal and interest in respect of the principal amount not yet repaid.

After initial recognition, instruments in this group are measured based on their terms according to the amortized cost using the effective interest method, less the provision for impairment.

Note 2 – Significant accounting policies (continued):

2. Impairment of non-financial assets

At every reporting date, the Company examines the provision to loss for financial debt instruments that are not measured at fair value through earnings or loss.

The Company distinguishes between two situations of recognizing provisions for loss:

- a) debt instruments that have not experienced a significant deterioration in the quality of their credit since the date of first recognition – the provision for loss that will be recognized for this debt instrument will take into consideration projected credit losses in the 12-month period after the reporting date; or
- b) debt instruments that have experienced a significant deterioration in the quality of their credit since the date of first recognition – the provision for loss that will be recognized for this debt instrument will take into consideration projected credit losses throughout the remainder of the instrument's lifetime.

The Company has financial assets with short credit periods such as customers, for which it implements the mitigating approach set forth in the standard; i.e., the Company measures the provision for loss in an amount equal to projected credit losses throughout the lifetime of the instrument.

The impairment of debt instruments measured at an amortized cost will be recognized in earnings or loss against the provision.

The Company applies the relief set forth in the standard according to which it assumes that the credit risk of a debt instrument has not increased significantly from the date of first recognition if it is determined at the reporting date that the instrument has a low credit risk, for example when the instrument has an external "investment grade" rating.

3. Depreciation of financial assets

The Company depreciates a financial asset when and only when:

- a. the contractual rights to the financial asset's contractual cashflows have expired; or
- b. the Company substantially transfers all the risks and benefits arising from the contractual rights to receiving the financial asset's cashflows or when some of the risks and benefits at the time of the financial asset's transfer remain in the Company's hands, but it can be said to have transferred control of the asset.
- c. The Company retains the contractual rights to receive cashflows arising from the financial asset, but it assumes a contractual undertaking to pay these cashflows in full to a third part, without any material delay.

4. Financial liabilities

a. Financial liabilities measured at amortized cost

On the date of first recognition, the Company measures the financial liabilities at fair value, less transaction costs that can be directly attributed the financial liability's issuance.

After initial recognition, the Company examines all financial liabilities based on amortized cost by using the effective interest method.

Note 2 – Significant accounting policies (continued):

b. Financial liabilities measured at fair value through earnings or loss

On the date of first recognition, the company measures financial liabilities that have not been measured at amortized cost by fair value with the transaction costs' being credited to earnings or loss.

After initial recognition, changes to fair value are credited to earnings or loss.

Warrants granted to third parties to acquire the Company's share in included companies have been recognized as financial derivatives in the Company's financial statements. Financial derivatives are measured at fair value through earnings or loss.

5. Deducting financial liabilities

The Company deducts a financial liability when and only when it is settled – that is, when the obligation defined in the contract is repaid or canceled or expires.

A financial liability is settled when the debtor repays the liability by paying in cash, other financial assets, goods or services, or is legally released from the liability.

In the event of a change in terms in respect of an existing financial liability, the Company examines whether the terms of the liability are materially different from the existing terms and takes into account qualitative and quantitative considerations.

When a material change is made to the terms of an existing financial liability or the replacement of a liability by another liability with materially different terms, between the Company and the same lender, the transaction is treated as a deduction of the original liability and a recognition of a new liability. The difference between the balances of the above two liabilities in the financial statements is credited to earnings or loss.

In the event of a non-material change to the terms of an existing liability or the replacement of a liability by another liability with terms that do not differ materially, between the Company and the same lender, the Company updates the liability amount; i.e., capitalization of the new cashflows at the original effective interest rate, and the difference is credited to earnings or loss.

xvii. Assessing fair value

Fair value is the price that would have been received at the sale of an asset or the price that would have been paid for the transfer of a liability in a normal transaction between market participants at the time of assessment.

Fair value assessment is based on the assumption that the transaction occurs in the primary market of the asset or liability, or in the absence of a primary market, in the most advantageous market.

The fair value of an asset or liability is assessed using assumptions that market participants would use when pricing the asset or liability, assuming market participants are acting in their economic interests.

Fair value assessment for a non-financial asset takes into account the ability of a market participant to derive economic benefits through the asset's best use or by selling it to another market participant that would use the asset to its best use.

The Company uses assessment techniques that are appropriate to the circumstances and for which enough data can be obtained to measure fair value, while maximizing the use of relevant data that can be viewed and minimizing the use of unobservable data.

Note 2 – Significant accounting policies (continued):

All assets and liabilities assessed at fair value or disclosed at their fair value are divided into categories within the fair value hierarchy, based on the lowest level of data, significant for assessing fair value as a whole:

Level 1: Quoted prices (without adjustments) in an active market of identical assets and liabilities.

Level 2: Data that are not quoted prices included in level 1 that can be viewed directly or indirectly.

Level 3: Data are not based on viewable market information (assessment techniques without the use of viewable market data).

xviii. Provisions

When a provision in accordance with IAS 37 is recognized when the Company has an obligation in the present (legal or implied) as a result of an event that occurred in the past, it is expected that financial resources will be required to remove the obligation and can be reliably measured. When the Company expects that part or all of the expense will be returned to the Company, such as an insurance contract, the refund will be recognized as a separate asset, only at the time when there is actual certainty of receipt of the asset. The expense will be recognized in the statement of earnings or loss, less reimbursement of the expense.

xix. Sectors of activity

The Company's sectoral reporting format was prepared in accordance with the manner in which the information is presented to the Company's chief operating decision maker.

The reports transmitted to the Company's chief operating decision maker, for the purpose of allocating resources and evaluating performance, reflect the Company's total revenue and its share of the included companies' revenues, including power generation, of all the income-producing facilities held by the Company (directly and/or indirectly), by way of relative union using the project EBITDA index calculated as the aggregate total of gross profit (revenue from power generation less operating and maintenance costs), in accordance with the amounts included in the financial statements of the project corporations.

xx. Earnings (loss) per share

Earnings per share are calculated by dividing the net earnings attributed to the Company's shareholders by the weighted number of ordinary shares actually existing in the period.

xxi. Employee benefits

Short-term employee benefits: The Company has classified a benefit as a short-term employee benefit when the benefit is expected to be paid in full 12 months before the end of the annual reporting period in which the employees provide the relevant service. Short-term employee benefits include salaries, convalescence pay, sick days and national insurance deposits. The cost of a short-term employee benefit was recognized as an expense, unless it was included in the cost of an asset, upon receipt of the services from the employee. When the Company has a calculable legal or implied obligation to provide grants to employees, the Company recognizes this liability at the time the obligation arises.

Note 2 – Significant accounting policies (continued):

Employee benefits after termination of employment: In accordance with the labor laws and labor agreements in Israel and in accordance with the Company's practice, the Company must pay severance to employees who are dismissed or who retire and under certain conditions to employees who resign. The Company's obligations to pay severance to the Company's employees in accordance with section 14 of the Severance Pay Act and the provident component that the Company is obligated to deposit in favor of the employee are treated as defined deposit plans. The Company recognized the cost of the benefit as an expense, unless it was included in the cost of an asset, based on the amount to be deposited at the same time as receiving the work services from the employee

xxii. Share-based payment

The Company has recognized share-based payment transactions, inter alia, for the purchase of goods or services. These transactions include transactions with employees that will be settled on the Company's capital instruments, such as shares or stock options. With respect to share-based payment transactions for employees disposed of in capital instruments, the value of the benefit is measured at the date provided with respect to the fair value of the capital instruments granted. The benefit value of share-based payment transactions is recognized in earnings or loss, unless the expense is included in the cost of an asset, against a capital fund over the vesting period based on the best achievable estimate of the number of capital instruments expected to mature.

xxiii. Business combinations

When the Group first gains control of one or more businesses (hereinafter the "Acquiree"), the business combination is handled by the acquisition method. Under this method, the Company identifies the buyer, determines the date of acquisition and sale of identifiable assets acquired and liabilities taken in accordance with fair value, except for exceptions. Components of minority interests in the Acquiree that are present ownership rights that entitle their holders to a proportionate share of the Acquiree's net assets at the time of liquidation are measured at the acquisition date based on the proportionate share of present ownership in amounts recognized in respect of net assets or fair value. All other components of minority interests are measured at fair value at the date of acquisition, unless a different measurement basis is required.

The Group recognizes goodwill at the date of acquisition as a surplus of the total amount of consideration transferred, of the amount of minority interests, and in combination with businesses acquired in stages, of the fair value at the acquisition date of capital rights previously acquired by the Group, over the net amount at the acquisition date of identifiable assets acquired and of the liabilities taken

The Company measures the consideration transferred in accordance with the fair values of the assets delivered, the liabilities taken and the capital instruments issued. Any costs that can be attributed to the business combination are recognized as an expense in the period in which they were incurred, with the exception of costs for issuing capital instruments or debt instruments of the Company.

Conditional payment arrangements for the Acquiree's employees or previous owners for future services, where payments are automatically canceled if their employment ends, constitute compensation for post-business-combination services and not additional consideration for the purchase (and therefore are treated separately), unless the term of service is unrealistic.

When the consideration transferred includes contingent consideration arrangements, the Company measures the contingent consideration at the acquisition date at fair value. In subsequent periods, changes in the fair value of contingent consideration, not classified as capital, are recognized in earnings or loss.

Note 3 – Main considerations, estimations and assumptions in preparing the financial statements:

In the process of implementing the main accounting policies in the financial statements, the Company exercised discretion and took into account the following considerations, which have a significant impact on the amounts recognized in the financial statements:

i. Considerations

Control

The Company assesses whether it has control over companies in which warrants have been granted to third parties to acquire the Company's share. The Company examines whether the warrants give third parties the current ability to outline the relevant operations. For a right to be real, the right holder must have the practical ability to exercise the right. Determining whether the rights are real requires discretion while taking into account the facts and circumstances. As of the date of the Company's financial statement, there is a 100% investee company. The partner has an option to purchase the shares of the investee company so that it will leave the Company at a holding rate of 25%. In the Company's estimation, the option is real because it is in the money and can be exercised immediately. Therefore, this company was not consolidated and treated in accordance with the equity method.

Significant influence

For the purpose of examining a significant influence on investee companies, the Company takes into account the existence of potential voting rights that can be exercised immediately and that essentially provide the ability to influence the financial and operational policies of the included companies. This determination requires discretion while taking into account the facts and circumstances.

ii. Estimates and assumptions

When preparing the financial statements, management is required to assist with estimates and assumptions affecting the implementation of the accounting policy and the reported amounts of assets, liabilities, revenues and expenses. Changes in accounting estimates are recognized during the period when the estimate is changed.

The following are the main assumptions made in the financial statements regarding uncertainties as of the reporting date and critical estimates calculated by the Company; a significant change in the estimates and assumptions may change the value of assets and liabilities in the financial statements in the following year:

Revaluation of fixed assets

The Company assesses photovoltaic facilities that constitute fixed assets in revalued amounts, and the changes in fair value are recognized in other comprehensive income. The fair value is determined primarily by the method of discounting the future unfunded cashflows generated by the systems. Cashflows were capitalized at the weighted capital price, which reflects the level of risk of the activity. At each cut-off date, the Company's management examines whether there is a significant impact on the updated valuation of systems connected in previous periods, and the fair value is measured when they are connected to the network. As material differences are discovered, the fair value of these systems is updated.

The Company strives to determine objective fair value whenever possible, but the process of estimating the fair value of fixed assets also includes subjective components stemming from, among other things, the Company management's past experience and its understanding of projections for developments and relevant market scenario scenarios at the time of estimating the fair value. Therefore, and in light of the above, the determination of the fair value of the Company's fixed assets requires exercising

Note 3 – Main considerations, estimations and assumptions in preparing the financial statements (continued):

discretion, and, therefore, changes in the assumptions used in determining the fair value may significantly affect the fair value of the fixed assets.

Deferred tax assets

Deferred tax assets recognized for losses are transferred for tax purposes and for temporary deductible differences, which have not yet been utilized, if it is expected that there will be future taxable income against which they can be utilized. An estimate by management is required to determine the amount of a deferred tax asset that can be recognized based on timing, expected taxable income, its source and tax planning strategy.

Determining the transaction price and the amounts allocated to performance obligations

When determining the price of the transaction with its customers, the Company takes into account the effect of any variable consideration in the contract, such as discounts, penalties, incentives, the existence of a significant financing component in the contract and non-cash consideration.

In addition, for each transaction that includes variable consideration, the Company examines which method will better represent the amount of consideration that the Company will be entitled to: the expectation method or the most reasonable amount method.

Note 4 – Disclosure of new IFRS standards in the period prior to their application:

Amendments to IFRS 10 and IAS 28 regarding the sale or transfer of assets between a holding company and an included company or its joint venture

In September 2014, the IASB issued amendments to IFRS 10 and IAS 28 (hereinafter the “Amendments”) that address the accounting for the sale or transfer of assets (an asset, group of assets or subsidiary) between the holding company and an included company or its joint venture.

The Amendments stipulate that when the holding company loses control of a subsidiary or a group of assets that does not constitute a transaction with an included company or its joint venture, the profit will be partially canceled, so the profit to be recognized is the revenue on the sale to external parties only. The Amendments add that in the event that the remaining interest in the holding company constitute a financial asset as defined in IFRS 9, the revenue will be recognized in full.

If there is a loss of control in a subsidiary or group of assets that constitutes a business in a transaction with an included company or its joint venture, the profit will be recognized in full.

The Amendments will be implemented from here on out. The mandatory start date has not yet been set by the IASB, but early adoption is possible.

Note 5 – Cash and equivalents:

		As at December 31	
		2021	2020
		Thousands of ILS	
In Israeli currency		162,488	63,810
In foreign currency		328,679	39,641
Short-term shekel deposits		413,178	380,184
		904,345	483,635

Note 6 – Customers:

		As at December 31	
		2021	2020
		Thousands of ILS	
Open debts		12,229	8,889
Checks for collection		1,007	250
Related parties		100,999	62,863
Provided debts		(246)	-
Receivable income (*)		120,480	84,753
		234,469	156,755

(*) On December 31, 2021 and 2020, including the balance of income received from included companies for projects of photovoltaic solar systems on water reservoirs in the amount of ILS 88.217 million and ILS 79.1 million, respectively.

Note 7 – Debts and mandatory balances:

		As at December 31	
		2021	2020
		Thousands of ILS	
Advance expenses (*)		14,478	8,764
Government institutions		1,639	14,475
Other debtors		3,380	-
Receivable income – tax partner (see note 16(i)(12))		435	-
Advance payments to suppliers		2,848	5,765
		22,780	29,004

(*) Mainly for the establishment of photovoltaic solar systems.

Note 8 – Inventory:

		As at December 31	
		2021	2020
		Thousands of ILS	
Inventory of parts for photovoltaic systems		56,619	65,683

Note 9 – Investment in corporations held and treated in equity method:

- i. Following the contents of note 1 above, the Company is contracting with third parties (mostly kibbutzim and moshavim) in an agreement to establish a joint corporation held in agreed-upon percentages. The Company is establishing photovoltaic facilities for the joint corporation. The facility is financed in part by a shareholder loan, and the rest by a bank loan. The income from the joint corporation is from the generation of electricity.
- ii. Abroad, the Company operates through the Noy Europe Partnership, of which the Company holds 40%, see note 16(i)(5), as well as through local partnerships in which the Company has control, as well as companies wholly owned by the Company.

For a list of the corporations held by the Company as of the date of the report, see the appendix.

	As at December 31	
	2021	2020
	Thousands of ILS	
Opening balance	126,605	31,361
Additional investments during the year (1)	261,653	71,099
The Company's share in losses	(211)	(952)
Obtaining control in a held company	-	(303)
Translation differences	(23,258)	(190)
Share of capital fund for revaluation of fixed assets (2)	33,243	25,590
Closing balance	398,032	126,605

- (1) Including investment in the amount of approximately ILS 199 million in Noy Nofar Renewable Energies Europe, Limited Partnership. For additional information, see note 16(i)(5).
- (2) In the case of photovoltaic systems measured at fair value, the fair value is measured at the time of connection of each system to the electricity grid, in accordance with the forecast of cashflows and the discount rate of 4.8%, which is determined according to market price analysis. At each cut-off date, the Company's management examines whether there is a significant impact on the updated valuation of systems connected in previous periods, and the fair value is measured when they are connected to the network. As material differences are discovered, the fair value of these systems is updated.

Below is the composition of the investments:

	As at December 31	
	2021	2020
	Thousands of ILS	
Investments in Israel	123,300	58,397
Noy-Nofar Renewable Energies Europe, Limited Partnership	241,232	68,208
Ratesti Solar Plant SRL	33,500	-
Total	398,032	126,605

Note 9 – Investment in corporations held and treated in equity method (continued):

iii. Additional information on companies treated by equity method

a. Noy-Nofar Renewable Energies Europe:

The following is additional information regarding the aggregate financial situation and results of the aggregate operations of a joint corporation that is materially included (without adjustment to the ownership rates held by the Company):

1. In the report on the financial situation for the reporting date

	As at December 31	
	2021	2020
	Thousands of ILS	
Current assets	13,098	7,312
Noncurrent assets	867,065	216,701
Current liabilities	(53,193)	(30,042)
Noncurrent liabilities	(239,371)	(46,473)
Capital attributed to the Company's shareholders	(587,609)	(147,498)

2. Results of the joint corporation's operations

	Year ended December 31	
	2021	2020
	Thousands of ILS	
Financing revenue	118	378
Annual loss	(7,270)	(2,277)
Total annual loss	(7,270)	(2,277)

Note 9 – Investment in corporations held and treated in equity method (continued):

b. Joint corporations in Israel:

The following is additional information regarding the aggregate financial situation and results of the aggregate operations of the joint corporations (without adjustment to the ownership rates held by the Company):

1. In the report on the financial situation for the reporting date

	As at December 31	
	2021	2020
	Thousands of ILS	
Current assets	227,967	141,106
Noncurrent assets	758,285	529,329
Current liabilities	(171,243)	(224,520)
Noncurrent liabilities	(768,480)	(414,674)
Capital attributed to the Company's shareholders	(46,529)	(31,241)

2. Results of the joint corporations' operations

	Year ended December 31		
	2021	2020	2019
	Thousands of ILS		
Revenue	91,540	42,477	21,624
Annual earnings	15,935	4,405	1,102
Total annual revenue	41,519	73,431	25,919

Note 10 – Leases:

i. Information on right-of-use assets:

	Total
	Thousands of ILS
Cost:	
Balance as at January 1, 2021	23,404
Entering consolidation	29,764
Additions	17,312
Disposals	(2,444)
Translation differences fund	(1,337)
Effect of index	969
Balance as at December 31, 2021	67,668
Accumulated amortization:	
Balance as at January 1, 2021	1,177
Additions	2,550
Disposals	(178)
Balance as at December 31, 2021	3,549
Amortized amount as at December 31, 2021	64,119

	Total
	Thousands of ILS
Cost:	
Balance as at January 1, 2020	11,653
Entering consolidation	9,654
Additions	2,291
Effect of index	(194)
Balance as at December 31, 2020	23,404
Accumulated amortization:	
Balance as at January 1, 2020	124
Additions	1,053
Balance as at December 31, 2020	1,177
Amortized amount as at December 31, 2020	22,227

Note 10 – Leases (continued):**ii.** Additional quantitative information on leases:

	For the year ended December 31	
	2021	2020
	Thousands of ILS	
Interest expenses for lease liabilities	1,711	784
Total cashflows paid for leases	4,475	1,143

iii. Liability for lease:

	Year ended December 31	
	2021	2020
	Thousands of ILS	
Balance as at January 1	23,411	11,568
Entering consolidation	32,731	10,090
New arrangements in reporting period	17,594	2,291
Disposals	(2,379)	-
Financing costs	1,711	784
Index revaluation	969	(179)
Translation differences fund	(1,450)	-
Payment	(4,475)	(1,143)
	68,112	23,411
Less current maturities obligation for lease	(4,546)	(1,782)
Balance as at December 31	63,566	21,629

Note 11 – Fixed assets:

1. Composition and movement during year:

	Projects for renewable energy in the US	Photovoltaic systems in Israel	Photovoltaic systems under construction	Computers and software	Vehicles	Furniture and equipment	Improvements to leasehold	Total
Thousands of ILS								
Cost:								
Balance as at January 1, 2021	-	56,613	13,969	360	778	66	110	71,896
Entering consolidation	119,322	-	-	-	-	-	-	119,322
Additions	7,792	-	11,821	776	1,465	48	148	22,050
Transfers	-	14,528	(14,528)	-	-	-	-	-
Disposals	-	(5,049)	-	-	(470)	-	-	(5,519)
Revaluation recognized as total other revenue	-	11,963	-	-	-	-	-	11,963
Translation differences fund	(5,497)	-	-	-	-	-	-	(5,497)
Balance as at December 31, 2021	121,617	78,055	11,262	1,136	1,773	114	258	214,215
Accumulated amortization:								
Balance as at January 1, 2021	-	3,899	-	168	325	39	102	4,533
Additions	7,537	2,413	-	91	242	9	1	10,293
Disposals	-	(663)	-	-	(335)	-	-	(998)
Balance as at December 31, 2021	7,537	5,649	-	259	232	48	103	13,828
Amortized amount as at December 31, 2021	114,080	72,406	11,262	877	1,541	66	155	200,387

Note 11 – Fixed assets (continued):

1. Composition and movement in 2020 (continued):

	Photo-voltaic systems	Photo-voltaic systems under construction	Computers and software	Vehicles	Furniture and equipment	Improvements to leasehold	Total
	Thousands of ILS						
Cost:							
Balance as at January 1, 2020	43,262	-	155	635	44	103	44,199
Entering consolidation	13,007	-	-	-	-	-	13,007
Additions	-	13,969	205	313	38	7	14,532
Disposals	-	-	-	(170)	(16)	-	(186)
Revaluation recognized as total other revenue	344	-	-	-	-	-	344
Balance as at December 31, 2020	56,613	13,969	360	778	66	110	71,896
Accumulated amortization:							
Balance as at January 1, 2020	1,885	-	136	421	32	49	2,523
Additions	2,014	-	32	74	7	53	2,180
Disposals	-	-	-	(170)	-	-	(170)
Balance as at December 31, 2020	3,899	-	168	325	39	102	4,533
Amortized amount as at December 31, 2020	52,714	13,969	192	453	27	8	67,363

2. Valuation techniques

- a. The fair value of the photovoltaic systems (hereinafter the "Systems") is determined in accordance with the provisions of IFRS 13\$. For the purpose of determining the fair value, the Company was assisted by a valuation program provided to it by external appraisers and carried out by the Company's Analysis Department, relying on and controlling from external information sources, for the purpose of determining the rates of capitalization and risk-free interest.
- b. The fair value is determined primarily by the method of discounting the future unfunded cashflows generated by the systems. Cashflows were capitalized at the weighted capital price, which reflects the level of risk of the activity. At each cut-off date, the Company's management examines whether there is a significant impact on the updated valuation of systems connected in previous periods, and the fair value is measured when they are connected to the network. As material differences are discovered, the fair value of these systems is updated.

Note 11 – Fixed assets (continued):

- c. The capitalization rates that were used to determine the fair value of the fixed assets are 4.8%, 4.8-5% and 5.2% for the years ended on December 31, 2021, 2020 and 2019, respectively.
- d. Assessing the fair value is classified as level 3 of the fair value hierarchy.

3. Additional details:

- i. The balances of photovoltaic systems operating less accumulated amortization as if they were presented at cost for December 31, 2021 and 2020, are ILS 41,486,000 and ILS 28,331,000, respectively.
- ii. The amortization method the Company used to depreciate the fixed property is the straight line amortization method.
- iii. Aside from the photovoltaic systems owned by the Company, the Company owns many other photovoltaic systems, which are registered under the entities treated according to the equity method.
- iv. The balance of the revaluation fund for fixed assets (including the Company's share in investee companies treated according to the equity method) as at December 31, 2021, is ILS 74,131,000 (December 31, 2020: ILS 42,580,000).

4. Fixed assets under construction

In the year ended December 31, 2021, the Company completed the construction of new systems in the total of amount of approximately ILS 14,528,000. (For the year ended December 31, 2020, the Company did not complete the construction of new systems.)

- 5. For encumbrances and guarantees, see note 16(ii) below.

Note 12 – Combining businesses:

In July 2021, a deal was completed to acquire 67% of the interest in the Sky Blue Group, which deals – similarly to the Company's operations in Israel – in the initiation, development, licensing, planning, management, construction and maintenance of solar projects of the roofs of commercial buildings and storage systems in the US. As part of the agreement, Nofar USA LLC, a partner in full ownership of the Company, undertook to transfer \$6 million to the previous shareholders of the Blue Sky Group, a transfer of \$20 million within the Blue Sky Group and to transfer \$65 million to provide shareholder loans with 9% interest.

The agreement also determines that minority shareholders will be entitled to a bonus, subject to meeting the objectives specified in the agreement and that after full repayment of shareholder loans made by companies controlled by the Company, a total of \$40 million of the profits distributed to Blue Sky Group shareholders will be divided 50%:50% between Nofar USA and the other shareholders of the Blue Sky Group. The purchase costs amounted to a total of approximately ILS 860,000 and were recognized in the administrative and general expenses section in earnings or loss for the period.

i. The transferred consideration:

	Recognized value at time of purchase
	Thousands of ILS
Composition of the consideration transferred in respect of the business combination:	
Cash	81,500
Deferred consideration	3,260
Conditional consideration	6,807
Total consideration transferred	91,567

Note 12 – Combining businesses (continuation):**ii. Assets and liabilities identified as purchases (based on temporary amounts as set forth below):**

	Recognized value at time of purchase
	Thousands of ILS
Purchased assets and liabilities taken:	
Cash and equivalents	65,316
Customers	762
Debts and mandatory balances	1,298
Restricted cash	3,800
Right-of-use assets	29,764
Fixed assets and intangible assets	236,750
Bank loans	(97,211)
Creditors	(37,871)
Lease liability	(32,731)
Deferred tax liability	(27,469)
Total identifiable net assets	142,408

iii. Cashflows for combining businesses

	At purchase date
	Thousands of ILS
Consideration paid in cash and equivalents	81,500
Cash and equivalents in Company on date of purchase	(65,316)
Total net cashflows	16,184

iv. Goodwill

Following the purchase, goodwill was recognized as set forth below:

	At purchase date
	Thousands of ILS
Transferred consideration	91,567
Minority interests	52,305
Less fair value of the identified assets, net	(142,408)
Goodwill on date of purchase	1,464

Note 12 – Combining businesses (continuation):

v. Minority interests

The value of minority rights in the Company, a company that is listed for trading, is measured through an integrated approach in accordance with their commercial terms. In the context of the first component, which allows them to enjoy surplus rights in the distribution, it is estimated at fair value in accordance with a company's projected cashflow until the completion of a preference in capitalized cashflow at a discount rate of 10% (less than the capitalization rate of the other projects arising from their seniority in the cashflows for distribution). The balance of the sum is estimated based on the fair value of net assets (less the component of surplus distribution in the Company) multiplied by the rate of their holding in the Company.

Note 13 – Short-term loans, withdrawal from a banking corporation and current maturity of long-term loans from banking corporations:

i. Composition:

		As at December 31	
		2021	2020
		Thousands of ILS	
Current maturity of long-term loans from banking corporations		11,819	2,377
Short-term loan from banking corporations and others (1)		25,852	62,410
		37,671	64,787

(1) On-call loans from banking corporations with variable interest of prime + 1% to prime + 1.2% for repayment during the coming year. The prime interest on December 31, 2021, was 1.60%.

ii. Financial criteria:

As at the date of the financial statements, the Company and all the project companies had met the required criteria. See also note 16(i)(6) below.

Note 14 – suppliers and service providers:

Composition:

		As at December 31	
		2021	2020
		Thousands of ILS	
Open debts		51,512	70,589
Expenses payable (*)		14,947	24,675
Checks to be paid		1,471	35
		67,930	95,299

(*) Most of the sum stems from liability to suppliers and service providers related to the construction of photovoltaic facilities.

Note 15 – Creditors and credit balances:

Composition:

	As at December 31	
	2021	2020
	Thousands of ILS	
Employees and institutions for wages	2,062	1,947
Provision for vacation and convalescence	1,018	461
Advance payments from customers related parties	818	2,393
Liability to holders of minority rights (*)	11,865	-
Interest payable bonds (**)	2,240	-
Advance income	136	-
	18,139	4,801

(*) See note 12.

(**) See note 18.

Note 16 – Contracts and contingent liabilities:

i. **Contracts**

1. Joint investment agreement with Noy Fund in Aspen Solar Ltd.

On August 4, 2020, the Company entered into an agreement with the Noy 2 Fund for Infrastructure and Energy (hereinafter in this section the "Noy Fund"), and as of the date of said agreement, the Company held 49% of the share capital of Aspen Solar Ltd. (hereinafter "Aspen Solar"), which was amended on September 18, 2020, and November 6, 2020, regarding the establishment of Nofar-Noy Solar Projects, Limited Partnership (hereinafter in this section the "Partnership"), which will be held 65% by the Company and 35% by the Noy Fund, which will exercise an option granted to the Noy Fund to purchase the remaining 51% of the holdings in Aspen Solar (hereinafter in this section the "Option") from Aspen Group Ltd. and will hold additional solar projects to be transferred to the Partnership by the Company. The agreement states that immediately upon receipt of the necessary approvals, the Noy Fund will assign to the Partnership, without consideration, its interest regarding the Option. On September 29, 2020, 51% of the interest in Aspen Solar Ltd. were transferred to the Partnership.

The financing of the capital required by the Partnership to exercise the Option and to provide additional shareholder financing to Aspen Solar, as required, at the Company's request for a share of the additional financing (as defined below), will be provided by the Noy Fund to the Partnership in an index-linked mezzanine loan that carries interest at an effective annual rate of 8.25% accrued to the fund on a quarterly basis (hereinafter in this section the "Mezzanine Loan"). The Mezzanine Loan will be of the non-recourse type, will be secured by a first-degree encumbrance on the Partnership's holdings in Aspen Solar and an order to transfer the payments directly to the Noy Fund, and will be repaid solely from the Partnership's full available cashflow that will arise from the holding in Aspen Solar (on a full cash sweep basis), prior to the repayment of the surplus financing and the additional financing. Should the Partnership require additional funding (hereinbefore and hereinafter in this section, the "additional funding"), the Partnership will act, as a first priority, to provide the additional funding from its internal sources (including available cashflow from the projects it holds), and only if this is not possible, it will ask its partners to provide the additional financing, in proportion to their holdings in the Partnership. The additional financing will be provided by each partner in accordance with its share in the Partnership through a shareholder loan that bears annual interest at a minimum rate in accordance with section 3(j) of the Income Tax Ordinance, which will be repaid from the Partnership's available cashflow, *pari*

Note 16 – Contracts and contingent liabilities (continued):

i. Contracts (continued):

passu between the parties. Should any partner not give its proportional share in additional financing, the other partners may provide the additional financing in its place, as shareholder loans that will bear interest at the same rate as the Mezzanine Loan interest and be repaid before the additional financing (hereinbefore and hereinafter in this section, the “surplus financing”). If the full financing is not raised, the Partnership may seek to raise it from third parties.

On September 9, 2020, Aspen Group Ltd. gave notice that it was exercising the sale option, and on September 29, 2020, the acquisition of 51% of the shares in Aspen Solar was completed by Nofar-Noy Solar Projects. Exercise of said Option was done through the Mezzanine Loan that the Noy Fund provided to Nofar-Noy Solar Projects in the amount of approximately ILS 42.6 million – of this, a total of approximately ILS 25 million was provided as a shareholder loan to Aspen Solar and was used to repay the shareholder loans provided by Aspen Group Ltd. to Aspen Solar, and the consideration in the amount of ILS 17 million was paid to Aspen Group Ltd. against the purchase of the shares.

2. [Employee compensation plan](#)

- a. On August 9, 2020, the Company’s board of directors approved a benefits plan for employees, officers, consultants and service providers for the allocation of shares and/or options that can be exercised for the Company’s shares.

Under the terms of the benefits plan, the securities will be granted to the Company’s employees and officers subject to the approval of the Company’s board of directors, which will determine the specific grant terms for each offeree, and the provisions of section 102 of the Income Tax Ordinance (hereinafter the “Ordinance”), and to persons who are not Company employees or officers and to those wielding control, as defined under section 32(9) of the Ordinance – in accordance with section 3(i) of the Ordinance.

As for the granting of securities to employees and officers, the Company has appointed a fiduciary for the plan in accordance with section 102 of the Ordinance (hereinafter in this section, the “Fiduciary”) and has chosen to allocate the securities to the Fiduciary for the Company’s employees and officers in the Capital Gains Track.

- b. On July 8, 2021, the Company’s board of directors decided to adopt an options plan for employees and officers. The board of directors allocated 683,838 options to 56 employees: of these offerees, 6 are officers. Options will be granted in accordance with the plan from time to time, without consideration, in accordance with section 15(b)1(a) of the Securities Act, through the outline, in accordance with the Outline Regulations and the options plan, and subject to the approval of the Company’s competent bodies.

With respect to 362,642 of the options actually allocated by virtue of this outline to two officers of the Company, these options will mature and will be exercisable, in accordance with the schedules set forth below:

1. 40% of the total quantity of the options granted to each offeree will be exercisable starting from two years after the date of the Company’s board of directors’ decision on the allocation (hereinafter the “Determining Date”) and lasting until six years from the Determining Date.
2. 20% of the total quantity of the options granted to each offeree will be exercisable from three years after the Determining Date until six years from the Determining Date.

Note 16 – Contracts and contingent liabilities (continued):

i. Contracts (continued):

3. 20% of the total quantity of the options granted to each offeree will be exercisable from three years after the Determining Date until four years from the Determining Date.
4. 20% of the total quantity of the options granted to each offeree will be exercisable from three years after the Determining Date until five years from the Determining Date.

The actual price to exercise the options allocated by virtue of this outline will be ILS 104.58.

As for the balance of 321,196 of the options actually allocated to the other employees, the options will mature and be exercisable in accordance with the schedules detailed below:

1. 50% of the total quantity of the options granted to each offeree will be exercisable from two years after the Determining Date.
2. 25% of the total quantity of the options granted to each offeree will be exercisable from three years after the Determining Date.
3. 25% of the total quantity of the options granted to each offeree will be exercisable after four years.

The actual price to exercise the options allocated by virtue of this outline will be ILS 99.60 per share.

The value of the options allocated to employees is ILS 18.7 million, of which the amount of ILS 3.7 million has been credited to the Company's earnings and loss report for 2021.

The lifetime of the option is 6 years from the Determining Date.

As at the date of the financial statements' approval, the options have not yet been exercised.

3. [Investment in the Company agreement – Noy Fund 3](#)

On August 31, 2020, the Company and its controlling shareholder, Ofer Yanai (hereinafter the "Controlling Shareholder"), entered into an agreement with the Noy Fund for a sale and investment in the Company by virtue of which the Noy Fund purchased Company shares with the following terms (hereinafter, respectively, the "Investment Agreement" and the "Investment Transactions"):

In accordance with the Investment Agreement, on September 10, 2020, the Noy Fund purchased Company shares constituting approximately 24.97% of the fully diluted issued and paid-up share capital of the Company (hereinafter the "Company Capital") as part of interconnected transactions and against a total of ILS 228 million, in accordance with the details below:

- (1) Acquisition of part of the Controlling Shareholder's holdings in the Company's shares, approximately 0.33% of the Company's capital in a sale transaction for a payment of ILS 3.1 million to the Controlling Shareholder (hereinafter "Consideration for the Sold Shares");
- (2) Allocation of Company shares constituting approximately 24.64% of the Company's Capital for a transfer to the Company of ILS 224.7 million gross (hereinafter "Consideration for the Allocated Shares").

Furthermore, a one-time payment in the amount of ILS 47.9 million was made to three senior officers.

Note 16 – Contracts and contingent liabilities (continued):

i. **Contracts (continued):**

4. Shareholder agreement and company management

Simultaneously with the Investment Agreement, the Controlling Shareholder and the Noy Fund entered into a Company shareholder agreement that took effect on September 10, 2020, and which was joined on the completion date by the eligible officers and the Fiduciary in accordance with their benefits plan (hereinafter in this section, the "Shareholder Agreement" and the "Shareholders," as applicable), the agreements under which were formalized in the Company's articles of association.

5. Joint investment agreement with the Noy Fund in Renewable Energies Europe

On August 31, 2020, the Company entered into an agreement with Noy Renewable Energies Europe, Limited Partnership (hereinafter in this section the "Partnership"), the Noy Fund (limited partner in the Partnership), Noy E.I. Infrastructure and Energy G.P., Limited Partnership (general partner in the Partnership) (hereinafter the "Outgoing General Partner") and Noy-Nofar Europe General Partner Ltd. (hereinafter in this section the "General Partner") concerning its joining the Company, without consideration, as a partner in the Partnership, by the allocation of interest in the Company, thus that the Partnership and the General Partner would be held 40% by the Company and 60% by the Noy Fund (hereinafter in this section respectively, the "Europe Investment Agreement," the "Limited Partners" and hereinafter jointly with the General Partner the "Partners"). The deal was completed in October 2020; 40% of the interest in Noy-Nofar Europe was allocated to the Company, and the General Partner was replaced (hereinafter in this section the "Completion Date"). The Europe Investment Agreement prescribes that the objective of the Partnership is to engage in the initiation, financing, construction, operation and/or maintenance of projects for renewable energy in the solar and wind sectors in Spain, Italy and other countries in Europe, as approved by the General Partner (hereinafter in this section the "Approved Territories" and "Field of Activity," as applicable), including in projects that, as of the date the Europe Investment Agreement's execution, were being promoted by the Partnership or were in the process of being examined for possible investment (jointly hereinafter in this section the "Promoted Projects").

It also prescribes that the Partnership will work to identify investment opportunities in projects in the Field of Activity, with an initial investment target of approximately 1 GW installed over several years. The amount of equity required to meet this target was estimated by the Partners, as part of the Europe Investment Agreement, in the total amount of approximately €300 million.

The parties undertook that any limited partner (or entity related thereto, as the case may be) holding at least 15% of the Partnership's capital or at least 15% of the General Partner's share capital, will provide the Partnership with business opportunities relating to the acquisition, investment or development of projects in the Field of Activity (hereinafter in this section "Business Opportunities") that come to its attention within a 3-year period from the date of signing the Europe Investment Agreement. Should the Partnership decide not to carry out or notify said Limited Partner that it is interested in promoting the Business Opportunity within the Partnership (provided that regarding a Business Opportunity presented by the Noy Fund, the decision not to carry out or approve a Business Opportunity will be made with Company support), the Limited Partner who presented the opportunity may promote the relevant Business Opportunity on its own or together with others.

From the Completion Date until an amount equal to 66.66% of the Noy Fund's investment (hereinafter the "Company's Investment") is provided, the entirety of the financing required by the Partnership will be provided by the Company alone (catch up). As at March 2021, the Company had provided the entirety of the Company's Investment in the amount of approximately €17.4 million.

Note 16 – Contracts and contingent liabilities (continued):

i. Contracts (continued):

“The Noy Fund investment” means the total amount provided by the Noy Fund to the Partnership as at the date of its establishment (which at the date of signing the Europe Investment Agreement amounts to approximately €13.7 million (principal and interest)), plus interest at a nominal annual rate of 10.5% starting from the signing of the Europe Investment Agreement, as well as additional amounts to be paid by the Noy Fund to the Partnership after the date of signing the Europe Investment Agreement, plus interest at a nominal annual rate of 10.5% starting from the date of transfer of such financing sums to the Partnership. After the provision of the full amount of the Company’s Investment, each of the Limited Partners undertook to provide the Partnership with its proportionate share of the sums necessary: (a) to finance the capital required for projects and corporations held by the Noy Fund, directly or indirectly (hereinafter: the “Investee Corporations”) until the closing date of financing each project, including the development of the projects as well as the current needs of the Partnership and the Investee Corporations; and (b) to finance the sums the Partnership will be required to invest as equity in the relevant investee corporations, and the collateral required to secure them, for the financial closing of the Olmedilla project and the Valdeobispo (I-II) project in accordance with the provisions of their senior financing agreements.

As at the date of the financial statements, the Noy Fund and the Company had provided mandatory financing in the amount of €173.8 million (the Company’s share is approximately €69.5 million).

If any Limited Partner fails to provide its share of the mandatory financing (hereinafter in this section the “Delayed Partner,” then the other Limited Partners that have provided their shares of the mandatory financing (hereinafter in this section the “Performing Partners”) may provide to the Partnership the financing that has not been provided by the Delayed Partner as stated (hereinafter in this section the “Excess Financing”), and in such a case, the following will apply:

(a) If the mandatory financing has been provided as a capital investment – for a period of sixty (60) days from the date of the provision of the Excess Financing (hereinafter in this section the “Grace Period”), the Excess Financing will be considered a loan made by each of the Performing Partners to the Delayed Partner (divided pro rata among them), bearing interest of 10.5% from the date of the transfer of the Excess Financing to the Partnership until the date of its actual repayment by the Delayed Partner (principal and interest) (hereinafter in this section the “Bridging Loan”); if the Delayed Partner has not repaid the Bridging Loan in full (principal and interest) before the end of the Grace Period: (a) each Performing Partner will be entitled to the allocation of partnership rights, without consideration, in such a way that the holding rate of each Performing Partner will reflect the total payment rate provided to the Partnership including the Excess Financing (plus the interest accrued on the Bridging Loan during the Grace Period), and plus 20% on the sum provided as Excess Financing (plus interest) (i.e., multiplied by a coefficient of 1.2), parts of the total payments provided to the Partnership by all the Limited Partners up to that date, including Excess Financing (plus the interest accrued on said Bridging Loan); and (b) immediately at the end of the Grace Period the holdings of the Delayed Partner as stated in paragraph (a) above will be diluted, and the Bridging Loan will be deemed to have been repaid in full by the Delayed Partner.

(b) If the Excess Financing was provided as a guarantee – each Performing Partner will be entitled to an annual guaranteed commission at the rate of the commission paid to the financial institution that issued the guarantee for its issuance, plus an additional annual commission (hereinafter in this section “Additional Annual Commission”) at 1.5% of the guarantee. If the guarantee provided by a Performing Partner is forfeited (subject to exceptions), then the amount forfeited will be considered as Excess Financing provided to the Partnership by the Performing Partner who provided the guarantee, and the provisions set forth above will apply in this regard.

Note 16 – Contracts and contingent liabilities (continued):

i. Contracts (continued):

After the full financing of the obligation has been transferred, each of the Limited Partners will choose whether to provide the Partnership with its proportionate share in the necessary amounts, as determined by the General Partner: (a) to finance projects and the Investee Corporations until the financial closing of each project; (b) to finance the amounts that the Partnership will be required to invest as equity in the relevant investee Corporations (directly or indirectly) and the collateral required to secure them for the purpose of the financial closing for projects, in accordance with the provisions of their senior financing agreements; (c) to finance projects after they have reached financial closing; and (d) for the current needs of the Partnership and the Investee Corporations (jointly “Continued Financing”).

Should any Limited Partner choose not to provide its proportionate share in the Continued Financing, that partner will be considered a “Delayed Partner,” and the Performing Partners may, but are not required, provide the Partnership the Continued Financing that has not been provided as stated in its place (hereinafter in this section “Continued Financing”), and the provisions set forth above in relation to the Excess Financing will apply in this matter, with the following changes:

(a) If the Continued Financing was provided as a capital investment – the dilution rate of the Delayed Partner after the expiration of the Grace Period (provided the Delayed Partner has not repaid the Bridging Loan in full (principal and interest) by the end of the Grace Period) will be calculated with respect to the total transfer of the Partners to the Partnership but without multiplying by a coefficient of 1.2.

(b) If the Continued Financing was provided as a guarantee – the rate of the Additional Annual Commission will be 1% of the amount of the guarantee.

If a Delayed Partner does not provide mandatory financing or Continued Financing required to finance a given project by the end of the Grace Period, then the Delayed Partner may not provide financing after the end of the Grace Period, if required, for that project, and accordingly, its holdings in the Partnership will be diluted in respect of any additional financing required for that project that was paid only by the Performing Partners who provided their share of the relevant project’s financing only (and in such a case, these additional payments will not be considered a bridging loan that can be repaid) (hereinafter the “Dilution Arrangement”), and the Delayed Partner and the directors appointed on his behalf to the General Partner may not participate or vote in discussions or decisions related to the relevant project.

The parties undertook to act in such a way that the full available cashflow for the distribution of the Investee Corporations would be distributed to Andromeda Solutions KFT (hereinafter: “Andromeda”), (a private company holding the project) and the full available cashflow for Andromeda’s distribution, taking into account Andromeda’s needs based on its development plan, will be distributed to the Partnership. Any free and available cashflow generated by the Partnership will be used for payments to Limited Partners in the following order: First, for repayment of shareholder loans (if any have been provided), proportionally (pro rata) to the rate of loans of the same type provided by them, subject to the Dilution Arrangement; Second, as distributions to partners, pro rata according to their holdings of Partnership interest at the time of distribution, subject to the Dilution Arrangement.

Any change to the objective of the Partnership as set forth above, or an action that is not in accordance with the objective of the Partnership, requires the unanimous consent of the parties. In addition, the following decisions of the General Partner regarding the Partnership or the Investee Corporations will be made unanimously by the competent bodies of the General Partner: transactions of stakeholders by the Partnership or the Investee Corporations, including transactions with a Partner or an officer, director or shareholder in a Limited Partner or their related entities; a change to the Field of Activity of the Partnership or any of the Investee Corporations, including approval of the promotion of energy production projects in non-wind or solar technologies or in countries

Note 16 – Contracts and contingent liabilities (continued):

i. Contracts (continued):

that are not Approved Territories; sale or purchase of significant assets from the assets of the Partnership or the Investee Corporations (including the Partnership's holdings in the Investee Corporations), excluding a sale or projects of Investee Corporations that produce returns on capital (IRR) of 13% or more; changes to the capital structure of the Partnership or the Investee Corporations or any action that changes the holdings of the Partners or the shareholders in the Investee Corporations, excluding an initial public offering (IPO) of shares in the relevant corporation; a change to the articles of incorporation of the Partnership or any of the Investee Corporations; a cancellation or significant change to a Framework Cooperation Agreement (if any are signed) between the Partnership and/or Andromeda and a group of developers, as defined in the agreement (hereinafter the "Group of Developers") connected to promoting projects in Europe (hereinbefore and hereinafter the "Framework Cooperation Agreement") or of private cooperation agreements signed between the Partnership and/or Andromeda and the Group of Developers up to the signing date of the Framework Cooperation Agreement (hereinafter "Private Cooperation Agreements"), and any other commitment by the Private Cooperation Agreements or a body related thereto in other cooperation agreements with the Group of Developers, excluding exceptions set forth in an agreement;

Entering into agreements for business development and/or ongoing management services in relation to a number of projects proposed for promotion, held or promoted by the Partnership or Andromeda, that are significant to their operations (similarly to a framework cooperation agreement, if any are signed), including any significant change or cancellation of these commitments; providing collateral by the Limited Partners to guarantee credit provided to the Investee Corporations for the financial closing of a project, excluding undertakings to provide equity or provide guarantees to guarantee said undertakings; determining additional reserves required by the Partnership from the Partnership's available cashflow, as defined in the agreement; determining the terms of a shareholder loan in the event members of the group are Limited Partners in the Partnership, as set forth above; a change to the General Partner's signing rights, employing (including appointing and/or terminating the employment) of officers in the General Partner, including setting and/or changing the terms of their employment; approving an annual budget of the Partnership or of the General Partner and approving a deviation of 10% or more therefrom; opening or settling a significant legal proceeding or a legal proceeding of the Partnership; changing the terms of distribution to Partners; ending operations, a merger, liquidation, freezing proceedings, an arrangement with creditors or other insolvency proceedings, a structural change or reorganization.

The Europe Investment Agreement includes a prohibition on making any dispositions to the share of the Partners in the Partnership (excluding to authorized transferees) for 24 months from the date of establishing the Partnership (hereinafter in this section the "Lock-In Period").

After the Lock-In Period, the transfer of the rights of a Limited Partner (and of the General Partner accordingly), in whole or in part, including a proportionate share of the loans provided to the Partnership under the Europe Investment Agreement (hereinafter in this section the "Transferred Rights") will be subject to restrictions as set forth below (excluding transfers to authorized transferees):

- (a) the right of first offer to all Limited Partners holding at least 15% of the Partnership (pro rata to their holdings (hereinafter in this section the "Right of First Offer");
- (b) the Noy Fund's right of first refusal (if the transferor of rights in the Partnership is not the Noy Fund) in the event of a transfer to a competitor of the Noy Fund (i.e., a corporation or investment fund in the infrastructure field) (hereinafter in this section the "Right of First Refusal");

Note 16 – Contracts and contingent liabilities (continued):

i. Contracts (continued):

- (c) The Company's right to join the transfer of the Transferred Rights by the Noy Fund, based on the ratio between the rate of the Company's interest in the Partnership and the rate of the Transferred Rights (pro rata).

The agreement includes the Partnership's undertaking to indemnify the Company as a sole remedy (subject to exceptions) for any direct harm, loss of liability or expense caused to the Company by incorrect representations given by the Partnership as part of the Europe Investment Agreement (hereinafter in this section: the "Harm"), provided that the cumulative amount of the Harm exceeds €1 million. The Partnership's maximum amount of cumulative indemnification will be the amount of the Company's Investment, subject to exceptions, or half of the amount of the Company's Investment, depending on the type of representations. The amount of indemnification, should any be paid by the Partnership to the Company, will be in an amount that reflects the Company's share in the indemnification paid by the Partnership. The validity of said duty to indemnify, subject to exceptions, is after 18 or 24 months from the Completion Date, depending on the type of representations.

6. Criteria

- a. The Company finances the projects it owns and the projects in the included companies through project loans from banking corporations.

According to the financing outline, in the first stage, the project corporation is given a short-term loan for the period of construction – for a period of 9 months, with the main conditions for this being: an investment of at least 20% of the project capital; a shareholder guarantee for the entity; an encumbrance on the equipment; and sometimes an ongoing encumbrance on the rights in the entity.

Upon completion of the construction work, the loan is spread over a long period of time, with the main conditions for this being: obtaining an operating permit; obtaining a technical consultant report; registering an entrepreneurial insurance policy for the facility. Once a year, compliance with a debt coverage ratio, defined as total income from electricity generation, parts of financing expenses plus repayments of the loan principal, is examined. If the ratio is less than 1:1, the bank has the right to call for immediate repayment of the credit.

The Company may correct the coverage ratio by injecting capital into the project company.

As at the date of the financial statements, the Company and all the project companies had met the required criteria.

- b. Regarding compliance with the bond criteria, see note 18.

Note 16 – Contracts and contingent liabilities (continued):

i. **Contracts (continued):**

7. Initiation of storage projects in Israel

In February 2021, the Company completed the construction of an electricity storage system, which to the best of the Company's knowledge is the first of its kind in Israel, and as of the date of the report, the Company is promoting the construction of several additional systems to store electricity in batteries with a total capacity of approximately 325 MWh. Simultaneously with the establishment of storage systems in Israel and the study of the field, the Company is considering establishing additional storage systems around the world.

8. Sunprime acquisition agreement

In February 2021, Andromeda Solutions K.F.T. (hereinafter "Andromeda") entered into an agreement and made a deal to invest in an Italian corporation – Sunprime Generation SRL (hereinafter "Sunprime"). In accordance with the provisions of the agreement, Andromeda will invest in the Italian corporation, subject to several milestones' being met, a total of up to €40 million, against shares constituting up to 50% of the Italian corporation's share capital and will provide the Italian corporation with a shareholder loan.

As stated above, the Company holds in concatenation, in 40% of Andromeda, the amount the Company is required to provide in respect of its proportionate share of the consideration, which is up to €16 million for the acquisition and allocation of shares, and up to €8 million in respect of initial financing of the Italian corporation. As of the date of the financial statement, the Company had provided its share in the amount of €8 million.

In November 2021, Sunprime entered into a number of tender procedures conducted by the Italian Manager of Energy Services (GSE). According to the announcements of the winner, Sunprime received approval to build additional solar systems with a total capacity of 89.8 MW at an average rate guaranteed by GSE of about €97.50 per MW (about 97.5 euro cents per kWh, compared to about 36 agorot per kWh at an exchange rate of €3.736 per new Israeli shekel). The set rate varies depending on the size of the system (up to or above 1 MW) and the type of roof on which the system is installed. The Italian corporation also submitted additional projects to tender competitions s conducted by the Italian Manager of Energy Services (GSE) in the amount of approximately 56 MW. For the announcement of another win, see note 30(i).

9. Sabinar acquisition agreement

As part of Noy-Nofar Europe's operations, in March 2021 Andromeda entered into an agreement and completed a deal to acquire 90% of the interest in a corporation holding two solar projects with a total capacity of approximately 235.5 MW in Spain (the "Sabinar project") from third parties unrelated to the company or Noy Fund (the "Acquisition Agreement" and the "Sellers"). Andromeda and the project corporation also entered into a development agreement with the Sellers in connection with the completion of the development procedures of the Sabinar project.

The project company, Sabinar Hive, S.L. (the "Project Company") holds approximately 60% of the rights in Grid Hive, S.L. (the balance of which is held by Olmedilla Hive, S.L., which owns the Olmedilla project), which will hold connection infrastructure to the joint electricity grid of the Olmedilla project and the Sabinar Project.

Andromeda and the group of local developers (collectively the "Purchasers") entered into an agreement with the Sellers to purchase the full shares and interest by virtue of the shareholder loans provided to the Project Company (90% by Andromeda; the Company's share in concatenation – 36%).

Note 16 – Contracts and contingent liabilities (continued):

i. Contracts (continued):

The Company estimates that the consideration for the acquisition of the acquired interest, development and construction (EPC) of the Sabinar project will amount to an estimated amount of approximately €180 million (the Company's share is approximately €66 million) (subject to negotiations with the EPC contractor and adjustments for the output of the system), of which a total of about €39.1 million is paid to the Sellers and local developers on the date of completion and the balance at a number of milestones until the completion of the project.

Andromeda has committed to financing the investments required for the acquisition and construction of the projects (including the share of local developers through shareholder loans).

As part of the development agreement that forms part of the Acquisition Agreement, the Sellers undertook to obtain all the approvals, permits, certifications and licenses required for the promotion and development of the Sabinar project.

If within 8–12 months from the Completion Date, Sabinar does not reach RTB (ready to build) status, due to a reason that is not the responsibility of the Purchasers, and in case of breach of the agreement, the Purchasers may cancel the agreement. In such a case the Sellers are obliged to return to the Purchasers the full amounts paid by them by virtue of the Acquisition Agreement and the development, and the Purchasers will transfer back to the buyers the full interest in the Project Company in relation to the two projects. As of the date of the financial statements, the Company had provided its share in the amount of €40 million.

10. Entering into an agreement to acquire electricity storage systems

On March 15, 2021, the Company entered into a framework agreement with Tesla Motors Netherland B.V., a leading battery manufacturer ("Tesla") to purchase systems to store electricity in batteries with a total capacity of no less than 100 MW (the "Framework Agreement"), with the following terms:

The Company will purchase from Tesla electricity storage systems with a total capacity of no less than 100 MW that will be sent to the Company during the period from February 2022 to March 2023. As consideration for the purchase of the storage systems, the Company will pay a total of about US\$30 million (subject to changes due to changes in the characteristics of the systems). Payment will be made at milestones set out in the purchase orders.

In November 2021, the Company entered into another framework agreement with Tesla to purchase systems to store electricity in batteries with a total capacity of no less than 200 MW (the "Framework Agreement"), with the following terms:

The Company will purchase from Tesla electricity storage systems with a total capacity of no less than 200 MW that will be sent to the Company during the period from January 2023 to March 2024. As consideration for the purchase of the storage systems, the Company will pay a total of about US\$54 million (subject to changes due to changes in the characteristics of the systems). Payment will be made at milestones set out in the purchase orders. The Company intends to use the storage systems it will purchase under the Framework Agreement at sites of its partners, at the project corporations that hold the electricity generation systems in operation, under construction and prior to construction, initiation and licensing.

Note 16 – Contracts and contingent liabilities (continued):

i. **Contracts (continued):**

11. Acquisition of rights in a solar project in Romania

In July 2021, the Company, together with Econergy International Ltd. (“Econergy”) (hereinafter jointly the “Purchasers”) entered into an agreement to purchase a company that holds a photovoltaic project with a total capacity of about 153 MW DC not yet constructed in Romania. Acquiring the rights to the project was done as part of the implementation of the Company’s strategy to expand its operations to additional markets across the world.

The project, with an estimated capacity of about 153 MW, is at the advanced licensing stage. To the best of the Company’s knowledge, as of the statement date, most of the approvals required to begin the construction work have been received, and construction is expected to begin in the first quarter of 2022 and end at the beginning of 2023.

As part of the Acquisition Agreement, the Company and Econergy undertook to purchase from the sole shareholder of Portland Trust Renewable 1 SRL the entirety of the issued share capital of the Project Company (the Company’s share is 50%) on the date of receipt of the approvals required to begin project construction. Under the agreement, the Purchasers made an advance payment to the seller in the amount of €3 million, which is to guarantee their compliance with the terms of the agreement. On the completion date (November 2021), another €16 million approximately was paid, and the total consideration amounted to about €19 million in total. Most of the purchase sum was attributed to the project under construction.

12. Acquiring Blue Sky

In July 2021, a deal was completed to acquire 67% of the interest in the Blue Sky, which deals in the initiation, development, licensing, planning, management, construction and maintenance of solar projects of the roofs of commercial buildings and storage systems in the US (see note 12).

As at the date of the statement, Blue Sky holds and promotes the development and construction of solar projects with a capacity of 326.7 MW that are in commercial operation, in construction, under preparations for construction, in advanced development and in development

On November 30, 2021, Blue Sky Utility LLC, a corporation held by the Company in concatenation at a rate of 67% (“Blue Sky”) and a corporation under its control entered into a framework agreement with a third party according to which the third party would serve as a “tax partner” in projects to be constructed by the Blue Sky Group and to be approved by the tax partner (the “Tax Partner”), with which the Company has completed several projects in the past. As part of the agreement, the Tax Partner will provide to the corporation to be jointly held by Blue Sky and the Tax Partner (the “Portfolio Company”) the amount of up to \$40 million to finance the construction of solar projects that integrate storage. To the Company’s assessment, this amount constitutes the investment required from the Tax Partner for the construction of new solar projects with a total cost of \$120 million.

As consideration for its investment, the Tax Partner will receive the tax benefits for accelerated amortization of the Portfolio Companies at a rate of about 95% of its investment. An additional portion is returned to it at a fixed or profit-dependent cashflow on which the Company has created a liability in the statements.

Note 16 – Contracts and contingent liabilities (continued):

i. Contracts (continued):

13. Establishing a development platform in the UK and acquiring rights in a battery power storage project

In October 2021, Nofar Europe entered into an agreement with a local developer in the UK regarding the establishment of Noventum Power Limited (hereinafter “Noventum”), which deals in the initiation, development, construction, financing and operation of solar projects and wind projects in the UK. Subsequently, in December 2021, the Company entered into an agreement with Group Interland concerning the establishment of Atlantic Green UK Limited (hereinafter “Atlantic Green”), which deals in the initiation, development, financing and operation of energy storage projects in the UK. Subsequently, Atlantic Green entered into an agreement to acquire a battery power storage project (Standalone Battery Energy Storage Systems) that has a connection point to the electricity grid with a capacity of between 300 and 349 MW

(And the power of storage capacity at an estimated power of about 700 MWh). As at the statement date, Noventum and Atlantic Green are examining the initiation and establishment of several projects in the UK.

14. Agreement of understanding with Polish company

In October 2021, Nofar Europe, Limited Partnership (hereinafter “Nofar Europe”) entered into an agreement with Electrum SP. Z O.O (“Electrum”) regarding the establishment of the Nofar-Electrum Joint Venture (hereinafter “Nofar-Electrum”) that deals in the initiation, development and maintenance of solar and wind systems with a capacity of up to 1,250 MW in Poland; in November, Nofar Europe entered into an agreement to purchase a projects portfolio in Poland with a capacity of about 185 MW, and in March 2022, Nofar-Electrum acquired from Electrum a projects portfolio with a capacity of about 400 MW in Poland. In addition, as at the date of the statement, Nofar-Electrum is dealing in the initiation of additional projects in Poland.

ii. Guarantees and encumbrances

1. As at December 31, 2021, most of the rights in the Company’s assets are pledged in fixed encumbrances for the benefit of banking corporations as well as all the assets of the project corporations and some of the holdings in them are pledged in favor of banking corporations and other financing entities in fixed encumbrances and floating (current) encumbrances, as applicable.
2. Most of the encumbrance documents in favor of the banks include restrictions on change of control/ownership in the developer and in some cases also on the developer’s guarantee (including the Company).

Note 17 – Long-term loans from banking corporations:

		As at December 31	
		2021	2020
	Interest rate	Thousands of ILS	
	%		
Variable interest	3.5	24,087	27,621
Fixed interest	5-6.35	46,497	-
Fixed interest	9	7,305	-
Less current maturities for loans		(11,819)	(2,377)
		66,070	25,244

The repayment date of the loans in the financial statements are as below:

		As at December 31	
		2021	2020
		Thousands of ILS	
First year		11,819	2,377
Second year		5,319	1,596
Third year		7,296	1,651
Fourth year		8,646	1,709
Fifth year		4,423	1,768
Sixth year and after		40,386	18,520
		77,889	27,621

(*) For encumbrances and guarantees, see note 16(ii) above.

Note 18 – Bonds:

In August 2021, the Company made a public offering and registered for trade €400 million par value bonds (Series A). Bonds (Series A), of a par value of ILS 1 each, to be repaid (principal) in ten index-linked half-yearly payments, with the first payment, at a rate of 10% of the bond principal, to be paid on June 30, 2023, four additional installments to be paid on December 31 of each of the years 2023 and 2024 and June 30 of each of the years 2024 and 2025, in such a way that each of the four payments as aforesaid constitute 6% of the par value of the bonds, four additional payments will be paid on December 31, 2025 and 2026, and 30 June of each of the years 2026 and 2027, in such a way that each of the four payments as aforesaid will constitute 4% of the par value of the bonds, and an additional payment which will be paid on December 31, 2027 and will constitute 50% of the par value of the bonds.

The outstanding balance of the bond (Series A) principal, as it is from time to time, will incur annual interest at a fixed rate of 1.48%, which will be paid twice a year on June 30 and December 31 of each of the years 2022 to 2027 (inclusive), with the last payment of the interest to be paid together with the last repayment of the principal on December 31, 2027.

The Company undertook to meet the financial criteria of equity (as this term is defined in the trust deed) that will not be less than ILS 550 million, the ratio between solo equity and total net balance sheet (as these terms are defined in the trust deed) will not be less than 35%, and as of December 2023, the ratio of net, consolidated financial debt to EBITDA (as these terms are defined in the trust deed) will not exceed 15.

As of the statement date, the Company is in compliance with the necessary financial criteria.

Note 19 – Capital:

i. Below is the share capital composition:

	As at December 31, 2021	
	Registered	Issued and paid-up
Ordinary shares without par value each	50,000,000	33,647,857
	As at December 31, 2020	
	Registered	Issued and paid-up
Ordinary shares without par value each	50,000,000	25,902,950

The shares grant the holder the right to participate in the general meetings, to receive a portion of the Company's profits upon their distribution and to receive a portion of the Company's surplus upon dissolution.

ii. On September 10, 2020, 51,466 shares were allocated to Company officers, and 49,534 shares were allocated in accordance with the investment agreement to the Noy Fund.

iii. In December 2020, the Company completed the public offering of its shares. As part of the issuance, 5,802,950 shares without par value that were issued by the Company for the consideration of a net sum of ILS 556 million were offered to the public.

iv. Splitting share capital, cancelling par value and depreciating registered capital

1. On August 19, 2020, the Company's existing registered share capital was split at a rate of 1:100, thus that after the change, the Company's registered share capital amounted to a total of ILS 50,000 divided into 5,000,000 ordinary Company shares with a par value of ILS 0.01 each and the issued and paid-up capital amounting to 100,000 shares with a par value of ILS 0.01 each.

2. In December 2020, upon the completion of the issuance of shares to the public, the Company performed the following actions:

a. Splitting the Company's existing registered share capital such that each ordinary share of ILS 0.01 par value of the Company becomes 100 ordinary shares with a par value of ILS 0.0001 each. That is, the Company's registered share capital will become 500,000,000 ordinary with a par value of ILS 0.0001 each, and the Company's issued and paid-up share capital will become 20,100,000 ordinary shares with a par value of ILS 0.0001 each.

Note 19 – Capital (continued):

- b. Elimination of the par value of the Company's shares and amendment of the Company's incorporation documents accordingly so that the registered, issued and paid-up capital of the Company will consist of ordinary shares with no par value.
- c. Depreciating 450,000,000 ordinary shares without par value from the Company's registered share capital, i.e., the Company's registered share capital will become 50,000,000 ordinary shares without par value.
- d. Private issuance of Company shares

On October 13, 2021, the Company's board of directors approved a private allocation of 7,744,907 ordinary shares of the Company without par value (the "Offered Shares") to several investors belonging to the Altshuler Pension and Provident Fund Ltd. Group, Phoenix Insurance Company Ltd., Y.D. Mor Investments House Ltd., Migdal Insurance and Finance Holdings Ltd., the Sphera Fund and the Hazavim Fund against payment of consideration of ILS 71.66 per share, at a total of ILS 555 million.

The Offered Shares constitute about 29.9% of the rights to the Company capital prior to the allocation of the Offered Shares, about 37.31% of the voting rights in the Company prior to the allocation of the Offered Shares, about 28.85% of the capital rights in the Company with full dilution (i.e., assuming allocation and conversion of the options in the outline the Company published on July 22, 2021 – the "Full Dilution Assumption") prior to the allocation of the Offered Shares, about 35.69% of the Company's capital rights assuming allocation of the Offered Shares prior to the allocation of the allocated shares, about 23.02% of the Company's capital rights assuming allocation of the Offered Shares, about 27.17% of the voting rights in the Company assuming allocation of the Offered Shares, about 22.39% of the Company capital rights under the Full Dilution Assumption and assuming allocation of the Company shares under the Full Dilution Assumption and assuming allocation of the Offered Shares, and about 26.3% of the rights in the Offered Shares. The Offered Shares will be equal in their rights in all aspects to the existing ordinary shares in the Company's issued and paid-up share capital, and they will fully entitle their owners to dividends, benefit shares or any other distribution (should there be any) whose determining date of the right to their receipt is after the date of the Offered Shares' issuance.

Changes to the registered capital	Ordinary shares without par value
January 1, 2021	50,000,000
Splitting Company shares	-
Splitting Company shares and eliminating par value	-
Reducing registered capital	-
December 31, 2021	50,000,000

Changes to issued and paid-up capital	Ordinary shares without par value
January 1, 2021	25,902,950
Issuance to individuals	7,744,907
December 31, 2021	33,647,857

Note 19 – Capital (continued):

Changes to the registered capital	Ordinary shares with par value of ILS 1	Ordinary shares with par value of ILS 0.01	Ordinary shares without par value
January 1, 2020	50,000	-	-
Splitting Company shares	(50,000)	5,000,000	-
Splitting Company shares and eliminating par value	-	(5,000,000)	500,000,000
Reducing registered capital	-	-	(450,000,000)
December 31, 2020	-	-	50,000,000

Changes to issued and paid-up capital	Addition to issued capital (in ordinary shares)	Ordinary shares with par value of ILS 1	Ordinary shares with par value of ILS 0.01	Ordinary shares without par value
January 1, 2020	-	1,000	-	-
Splitting Company shares	99,000	(1,000)	100,000	-
Allocating shares to officers	51,466	-	51,466	-
Allocating shares to Noy Fund	49,534	-	49,534	-
Splitting shares	19,899,000	-	(201,000)	20,100,000
Issuance to public	-	-	-	5,802,950
December 31, 2021	20,099,000	-	-	25,902,950

Note 20 – Revenue:

	Year ended December 31		
	2021	2020	2019
	Thousands of ILS		
From the establishment and operation of systems in Israel	350,887	208,593	138,658
From initiating and investing abroad	2,355	-	-
From initiating and investing in Israel	7,520	5,975	2,990
	360,762	214,568	141,648

Note 21 – Establishment and operating costs:

	Year ended December 31		
	2021	2020	2019
	Thousands of ILS		
Foreign construction	130,145	85,774	46,142
Materials	166,937	76,981	64,284
Amortization expenses	6,346	3,067	690
Wage expenses	14,540	8,196	5,099
Maintenance and operation	5,481	4,143	3,033
Other expenses	3,578	2,973	1,627
	327,027	181,134	120,875

Note 22 – Administrative and general expenses:

	Year ended December 31		
	2021	2020	2019
	Thousands of ILS		
Wage expenses	9,115	4,074	2,076
Vehicle maintenance	250	270	276
Professional services	4,811	2,183	1,327
Maintenance	590	486	256
Amortization expenses	343	166	229
Other expenses	1,826	250	369
	16,935	7,429	4,533

Note 23 – other revenue, net:

i. Other expenses

	Year ended December 31		
	2021	2020	2019
	Thousands of ILS		
Expenses from issuing bonds and allocating shares	253	1,954	-
Loss from realizing fixed assets	128	-	-
	381	1,954	-

Note 23 – other revenue, net (continued):

ii. Other revenue

	Year ended December 31		
	2021	2020	2019
	Thousands of ILS		
Profit from deduction of a liability in respect of a lease for a deducted property	68	-	-
Revenue from Tax Partner abroad (*)	435	-	-
Other	457	111	-
	960	111	-

(*) See note 16(i)(12).

Note 24 – Net financing costs:

i. Financing costs

	Year ended December 31		
	2021	2020	2019
	Thousands of ILS		
Interest and fees	5,140	3,892	1,549
Interest for related companies	1,450	371	-
Financing expenses for lease	1,711	785	170
Exchange differences	8,997	-	94
Bonds	5,723	-	-
Revaluation of financial derivatives and others	382	472	1,565
	23,403	5,520	3,378

ii. Financing revenue

	Year ended December 31		
	2021	2020	2019
	Thousands of ILS		
Interest in respect of deposits	606	54	-
Related parties' interest	5,942	-	-
Update of conditional consideration (*)	6,668	-	-
Update of cost surplus for loans	4,247	-	-
Exchange differences	-	976	-
	17,463	1,030	-

(*) The Blue Sky Acquisition Agreement set forth in note 12 above states that minority rights holders will be entitled to a bonus subject to meeting the objectives specified in the agreement. As at the statement date, the Company assesses that there is no expectation that the bonus targets will be met, and accordingly, the conditional consideration has been reduced in full.

Notes to consolidated financial statements for December 31, 2021

Note 25 – Income taxes:

- i. The tax rate applicable to the Company is 23%.
- ii. Section 62 of the Income Tax Ordinance, which stipulates that subject to the association's election, an agricultural cooperative association will be treated for tax purposes as the Partnership, applies to the cooperative associations. The associations held by the Company have made this election, and, therefore, their tax liability applies to the Company based on its share.
- iii. The Company may recognize the expenses it incurs for the issuance of shares listed on the Israel stock exchange in the year in which the issuance was made in accordance with the provisions of the Income Tax (Deduction of Issuance Expenses) Act 5778-2018.
- iv. Final assessments:
As a rule, according to the provisions of the law, self-assessments submitted by the Company up to the 2017 tax year are deemed to be final (subject to the submission dates of the statements and the statute of limitations under the law).
- v. Deferred taxes:

	As at December 31, 2021	For the year ended December 31, 2021			As at December 31, 2020
		Entering consolidation	Transactions in other comprehensive earnings	Transactions recognized in earnings or loss	
Fixed assets – photovoltaic systems	(32,917)	-	(8,048)	(4,733)	(20,136)
Cost surpluses	(25,687)	(27,469)	152	1,630	-
Losses to transfer	17,766	-	-	2,143	15,623
Other	(1,904)	-	(2,138)	128	106
	(42,742)	(27,469)	(10,034)	(832)	(4,407)

- vi. Income taxes (tax benefits) in earnings or loss report:

	Year ended December 31		
	2021	2020	2019
	Thousands of ILS		
Current taxes:	-	-	1,725
Taxes for previous years	(161)	461	22
Deferred taxes	832	(13,786)	422
	671	(13,325)	2,169

Note 25 – Income taxes (continued):

vii. Accelerated amortization – income tax:

Details regarding the tax environment and the provision for taxes of the Company and its corporations in Israel were determined taking into account the provisions of the Income Tax Ordinance (New Version) 5721-1961 (hereinafter the "Ordinance"). Regarding the Company's share in investee entities – according to the provisions of section 63 of the Ordinance, the share that each partner is entitled to in the tax year from the partnership's income will be considered as the income of that partner, and it will be included in its tax return. According to the Income Tax Regulations (Amortization-1941) an amortization rate of 25% is set for solar power plants using photovoltaic technology, which applies to projects whose operating date ranges from January 1, 2009, to December 31, 2015. In 2018, the Finance Committee passed an update to the regulations according to which the accelerated amortization will be given to photovoltaic systems that generate electricity for self-consumption, which will begin commercial operation by 12.31.2020.

In light of the fact that such regulations have not yet been renewed, the Company has ceased to require accelerated amortization in respect of systems whose commercial operations commenced from January 1, 2021.

viii. Theoretical tax:

The following is an adjustment between the theoretical tax amount and the amount of taxes on income recognized in earnings or loss:

	Year ended December 31		
	2021	2020	2019
	Thousands of ILS		
Profit (loss) per year prior to deducting taxes from revenue	3,712	(265,731)	7,041
Corporate tax rate that applies to the Company	23%	23%	23%
Theoretical tax	854	(61,118)	1,619
Addition (savings) for tax in respect of:			
The Company's share of the losses (profit) for investee corporations handled in the equity method	(763)	219	811
Taxes for previous years	(161)	461	22
Utilization of losses for which deferred taxes were not recognized	-	(1,052)	(649)
The shares of minority rights holders in consolidated partnerships' earnings	165	-	-
Issuance expenses permitted to the company	(125)	(5,164)	-
Allocating shares to officers	-	53,758	-
Share-based payment	853	-	-
Unrecognized costs and other adjustments, net	(152)	(429)	366
Total income tax expenses (tax benefit)	671	(13,325)	2,169

Note 26 – Basic and diluted profit (loss) per share for Company shareholders:

Below are the profit data for the year attributed to the Company's owners and the number of shares taken into account for the purpose of calculating the profit attributed to the Company's shareholders (see also note 19 above):

	Year ended December 31		
	2021	2020	2019
	Thousands of ILS		
Profit (loss) used to calculate the basic and diluted profit (loss) per share	3,763	(252,217)	4,872
The weighted average of the number of ordinary shares used for the purpose of calculating basic and diluted earnings (loss) per share	27,579,245	13,385,351	10,000,000

Note 27 – Stakeholders and related parties:

i. General

Most of the Company's activities are conducted with investee companies.

The purchases and sales to related parties are conducted at market prices. The unpaid balances at the end of the year are not guaranteed, do not incur interest and will be settled in cash. No guarantees have been received or given for amounts owed or payable. For years ended December 31, 2021 and 2020, the Company has not recorded any provision for doubtful debts for amounts to be received from related parties.

ii. Balances of stakeholders and related parties

	As at December 31	
	2021	2020
	Thousands of ILS	
Customers and income receivable	221,479	147,616
Payables and credit balances	12,231	2,393
Loan from related party (*)	18,171	11,721

(*) A loan received from Noy 3 for investment in infrastructures and energy from May 2020 with annual interest of 6.5%

iii. Transactions with stakeholders and related parties

	Year ended December 31		
	2021	2020	2019
	Thousands of ILS		
Revenue	339,219	196,692	102,754
Financing costs	1,450	371	-
Financing revenue	5,943	-	-

Note 27 – Stakeholders and related parties:

- iv. The Company's key administrative personnel include a member of the board of directors and members of senior management.

	Year ended December 31		
	2021	2020	2019
	Thousands of ILS		
Wages and benefits to key administrative personnel	2,442	1,722 (*)	629
Number of recipients	3	3	1
Compensation of directors who are not employed	731	-	-
Number of recipients	7	-	-
Management fee	914	1,070	840
Number of recipients	1	1	1
Allocating shares and bonuses to officers	-	283,093	-
Number of recipients		3	

* Includes 4 months for wages of CFO and VP Business Development who are stakeholders in the Company.

v. Wage and management agreements

1. Conditions of office and employment of Mr. Ofer Yanai, chairman of the Company's board of directors

In accordance with the agreement between the Company and a company controlled by Mr. Ofer Yanai (hereinafter the "Management Company") for the provision of the services of an active board chairman to the Company through him (on a full-time basis), the Management Company was entitled during the periods above until the update as set forth below to monthly management in the amount of ILS 70,000 per month (plus VAT), plus a personal vehicle and reimbursement of expenses as part of fulfilling the job's duties. Beginning on September 10, 2020 (hereinafter the "Effective Date"), the Company and the Management Company entered into a new agreement to provide the management services through the person wielding control for an indefinite period (hereinafter in this section the "Management Agreement"), which sets out the terms whose main points are set forth below:

- 1) The Management Company will continue to provide management services through the person wielding control as part of the performance of the job duties on a full-time basis.
- 2) The Management Company will continue to be entitled to monthly management fees in the amount of ILS 70,000 (plus VAT) against a lawful tax invoice for the performance of the job (hereinafter the "Management Fees"). The Management Fees will increase for the 3 years beginning on the Effective Date by 5% each year thus that said raises will be performed 12 months, 24 months and 36 months after the Effective Date. In addition, the person wielding control is entitled to reimbursement of expenses incurred for the purpose of performing the job, against invoices, including reimbursements for a per diem, parking, travel, flights and a vehicle, to insurance coverage the Company will take out and to an exemption and indemnification for the terms.
- 3) The Management Agreement may be terminated by the Company or by the Management Company by providing 6 months' notice, subject to exceptions.
- 4) The person wielding control and the Management Company are obliged not to compete with the Company until 12 months have passed from the date of termination of the Management Agreement.
- 5) The conditions of the person wielding control's position and his employment are in accordance with the Company's compensation policy.

Note 27 – Stakeholders and related parties (continued):

2. Conditions of office and employment of the CEO

In accordance with the employment agreements between the Company and the CEO, in exchange for his service on a full-time, the CEO will be entitled in the above periods until the update as detailed below in relation to his share, to monthly wages, plus standard benefits in the Company.

As of September 10, 2020 (hereinafter: the "Effective Date"), the conditions of office and employment of the CEO have been updated, as part of employer–employee relations according to updated employment agreements, the main terms of which are detailed below:

- 1) For the full-time performance of his duties, he is entitled to gross monthly wages of ILS 53,000, plus benefits as are customary in the Company, including 22 days of vacation per year, a pension arrangement, study fund, personal vehicle and more, with the wages reflecting the transaction cost to the company of about ILS 70,000 per year. The wages will increase for the 3 years beginning on the Effective Date by 5% each year thus that said raises will be performed 12 months, 24 months and 36 months after the Effective Date.
- 2) In addition, the CEO is entitled to insurance coverage the Company will take out, as well as to exemption and indemnification.
- 3) The terms of employment of the CFO and the VP Business Development are identical to the terms of employment of the CEO, as set forth above.

Note 28 – Sectors of activity

As of the statement date, the Company has several activities that include two sectors, which form its strategic business units. These business units include fields of activity and are examined separately for the purpose of allocating resources and evaluating performance, among other things, due to the fact that they may require different technologies and procedures.

Below is a concise description of the business activities in each of the Company's sectors of activity:

Initiating and investing in photovoltaic systems:

Engagement in the initiation, licensing, management and financing of photovoltaic systems for the production of electricity from solar energy in Israel, in photovoltaic technology, on roofs, water reservoirs and land, with an aim to holding them as long-term owners, including through joint corporations held together with a third party whose investment therein is presented in the Company's financial statements as an investment in companies according to the equity method.

Initiating and investing in renewable energy:

Engagement in the initiation, licensing, management and financing of photovoltaic systems for the production of electricity from solar energy abroad, in photovoltaic technology, on roofs, land and storage facilities, with an aim to holding them as long-term owners, including through joint corporations held together with a third party whose investment therein is presented in the Company's financial statements as an investment in companies according to the equity method.

Establishing and operating photovoltaic systems:

In the establishment (EPC) and operation and maintenance (O&M) of photovoltaic systems on its own and through subcontractors. Within this area of activity, the Company is primarily engaged in the establishment and operation and maintenance of photovoltaic systems held by the Company in cooperation with third parties, through the joint project corporations, within the Company's activity in the field of initiation and investment, as well as establishment and/or operation of photovoltaic systems wholly owned by third parties.

The establishment activity sector does not include income from the construction of photovoltaic systems for the Company's own use.

The reports transmitted to the Company's chief operating decision maker, for the purpose of allocating resources and evaluating performance, reflect the Company's total revenue and its share of the included companies' revenues, including power generation, of all the income-producing facilities held by the Company (directly and/or indirectly), by way of relative union using the project EBITDA index calculated as the aggregate total of gross profit (revenue from power generation less operating and maintenance costs), neutralizing the amortization of the systems, in accordance with the amounts included in the financial statements of the project corporations.

Notes to consolidated financial statements for December 31, 2021

Note 28 – Sectors of activity (continued):

A column of adjustments to the financial statement for external income includes the cancellation of the Company's share of the income of the included companies presented in the sectors by way of relative consolidation. A column of adjustments to the financial statement for the results of the sector – EBITDA includes the cancellation of the Company's share in the results of the included companies presented in the sectors by way of relative consolidation and the addition of the amortization expenses of the neutralized systems.

Year ended December 31, 2021

	Initiation and investment	Establishment and operation	Abroad	Adjustments to financial statement	Total in financial statement
Thousands of ILS					
External income	35,394	12,524	2,355	(27,874)	22,399
Inter-sectoral income	-	339,219	-	(856)	338,363
Total income	35,394	351,743	2,355	(28,730)	360,762
Sector results – EBITDA	23,598	31,531	2,322	(23,716)	33,735
Expenses (income) not allocated to sectors:					
The Company's share of the losses for investee corporations handled in the equity method, net					211
Administrative and general expenses					16,935
Sales and marketing expenses					7,516
Other profits, net					(579)
Net financing revenue					5,940
Earnings before tax					3,712

Year ended December 31, 2020

	Initiation and investment	Establishment and operation	Adjustments to financial statement	Total
Thousands of ILS				
External income	19,861	11,901	(13,886)	17,876
Inter-sectoral income	-	196,692	-	196,692
Total income	19,861	208,593	(13,886)	214,568
Sector results – EBITDA	13,980	32,004	(12,550)	33,434
Expenses not allocated to sectors:				
The Company's share of the losses for investee corporations handled in the equity method				952
Management and general expenses before allocation of shares and a one-time bonus for officers				7,429
Sales and marketing expenses				2,797
Net financing revenue				4,490
Other expenses, net				1,843
Allocation of shares and a one-time bonus for officers				281,654
Loss before tax				(265,731)

Note 28 – Sectors of activity (continued):**Year ended December 31, 2019**

	Initiation and investment	Establishment and operation	Adjustments to financial statement	Total
	Thousands of ILS			
External income	9,786	35,904	(6,796)	38,894
Inter-sectoral income	-	102,754	-	102,754
Total income	9,786	138,658	(6,796)	141,648
Sector results – EBITDA	7,304	19,029	(5,560)	20,773
Expenses not allocated to sectors:				
The Company's share of the losses for investee corporations handled in the equity method				3,523
Administrative and general expenses				4,533
Sales and marketing expenses				2,298
Net financing revenue				3,378
Earnings before tax				7,041

Note 29 – Financial instruments:

vi. Fair value

The book value of financial assets and liabilities including cash and cash equivalents, short-term deposits, customers, other debtors, other suppliers and creditors, short-term and long-term loans and credit, are commensurate with or close to their fair value.

The fair value of options granted to shareholders in included companies is measured at level 3 in the fair value hierarchy; the change in value is charged annually to the statement of earnings and loss to the financing expenses section.

vii. Risk-management policy:

The Company's operations expose it to various financial risks, such as: market risk, credit risk and liquidity risk. Risk management is performed by Company management.

1. Market risks:

Market risks arise from the risk that the fair value or future cashflows of a financial instrument will change as the result of changes to market prices. The market risks to which the Company is exposed include risk due to volatility in the consumer price index and interest rate risk.

2. Interest risk:

The Company's sub-corporations have variable interest rate loans. The Company does not have instruments that reduce its exposure to a change in the variable interest rate.

The Company's exposure to foreign currency risk is primarily related to the Company's continuing operations (when income or expenditure is recognized in a currency other than the Company's presentation currency) and the Company's net investments are in foreign subsidiaries.

3. Currency risk

Foreign currency risk is the risk that the fair value or future cashflows of a financial instrument will change as a result of changes in foreign exchange rates.

4. Credit risk:

Credit risk is the risk that a party to a financial instrument will cause a financial loss to the other party by failing to meet its obligations. The Company's credit risk is primarily from its customers, banks and other debtors.

5. Customers:

In the Company's opinion, there is no need for a provision for impairment in respect of debts that are not in arrears or in arrears of up to 60 days, based on past experience regarding these debts and also because most of the amount consists of related parties. As at December 31, 2021, 100% of the customers are customers for whom there is no need to make an impairment provision.

6. Liquidity risk:

Liquidity risks arise from the management of the Company's working capital as well as from its financing expenses. Liquidity risk is the risk that the Company will find it difficult to meet obligations related to financial liabilities that will be settled by cash or another financial asset. The Company's policy is to ensure that the cash held will always be sufficient to cover the liabilities on the due date. To achieve this goal, the Company strives to hold cash balances (or appropriate lines of credit), to meet the projected requirements, for a period of at least 45 days.

The following is an analysis of the contractual due dates of financial liabilities based, where applicable, on nominal values for the settlement of interest rates and exchange rates at the end of the reporting period:

Note 29 – Financial instruments (continued):

As at December 31, 2021	Due dates						
	In the coming year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Above 5 years	Total
	Thousands of ILS						
Various creditors and credit balances	17,184	-	-	-	-	-	17,184
Suppliers and service providers	67,930	-	-	-	-	-	67,930
Liabilities for leases	4,625	4,565	4,180	4,038	4,037	83,831	105,276
Short-term loans, overdrafts	25,852	-	-	-	-	-	25,852
Loan from related party	-	-	-	-	-	18,171	18,171
Other short-term leases	45	45	45	45	45	7,242	7,467
Bonds	-	64,503	48,377	40,314	32,251	217,697	403,142
Long-term loans from banking corporations	11,819	4,961	6,759	7,989	4,163	38,171	73,862
Total	127,455	74,074	59,361	52,386	40,496	365,112	718,884

*The data above are presented in accordance with their nominal values on the due date, linked to the index/exchange rate on the balance date.

As at December 31, 2020	Due dates						
	In the coming year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Above 5 years	Total
	Thousands of ILS						
Various creditors and credit balances	2,408	-	-	-	-	-	2,408
Suppliers and service providers	95,299	-	-	-	-	-	95,299
Liabilities for leases	1,782	1,782	1,782	1,782	1,782	32,361	41,271
Short-term loans, overdrafts	62,410	-	-	-	-	-	62,410
Loan from related party	-	-	-	-	-	11,721	11,721
Other short-term leases	34	45	45	45	45	918	1,132
Long-term loans from banking corporations	3,275	2,650	2,409	2,409	2,409	21,644	34,796
Total	165,208	4,477	4,236	4,236	4,236	66,644	249,037

Note 29 – Financial instruments (continued):

7. **Capital management:**

The Company includes as capital the paid-up share capital, premiums, surpluses and capital funds in respect of revaluation of fixed assets and adjustments arising from the translation of financial statements of foreign operations.

The Company's primary goal in capital management is to ensure the ability to regularly provide a return to shareholders by way of an increase in capital or profit sharing. To meet this goal, the Company strives to maintain a leverage ratio that balances risks and returns at a reasonable level, while maintaining a financing base that will allow the Company to meet its investment needs and working capital. In making decisions about changes in capital, the Company considers not only its short-term position, but also its long-term objectives.

Note 30 – Events after the date of the statement on the financial situation:

i. Sunprime's winning tender

Following note 16(i)(8), on January 28, 2022, Sunprime received notice of its additional winning tender from the Italian Manager of Energy Services (GSE) ("Winning Notice").

In accordance with the Winning Notice, Sunprime received approval to construct additional solar systems with a total capacity of 45.3 MW at an average rate guaranteed by GSE of about €98.10 per MW (equivalent to about 35 agorot per KWh) for a 20-year period. The rate determined for every system in the competition process (the winning price) varies depending on the type of roof on which the system is built (asbestos or not) and the type of system (rooftop or ground).

Following the Winning Notice, Sunprime's accumulated projects that had obtained the Italian Manager of Energy Services (GSE)'s approval increased to about 130 MW. Furthermore, Sunprime has additional systems with a total capacity of about 132 MW located in various stages of development (about 70 MW systems on rooftops or small ground systems that Sunprime intends to construct by virtue of the GSE's tendering process and the permit, about 62 MW in large ground systems).

ii. Projects in Poland

Following the agreement of understanding with the Polish company as stated in note 16(i)(14), on March 3, 2022, the joint corporation entered into an agreement with Electrum regarding the transfer of Electrum's rights in the portfolio of solar projects in Poland with an estimated capacity of up to 412 MW, which was acquired and/or developed by Electrum prior to the establishment of the joint corporation, against payment of an initiation fee in amounts equal to the amounts paid by Electrum.

iii. Olmedilla project

On March 3, 2022, Olmedilla Hive S.L. (the "Project Company") in a memorandum of principles regarding the sale of electricity produced in the Olmedilla project (the "Memorandum of Principles") as a preliminary step toward signing a Power Purchase Agreement ("PPA") from the project. As is detailed in the Company's periodic report from 2020, the Olmedilla project is a solar project with a total capacity of 169 MW in Spain that is in advanced stages of construction, based on the status of the project and the EPC agreement signed in relation to the project, the construction is expected to be completed in the coming weeks and its connection to the electricity grid will end during the first half of 2022. In light of the high prices of electricity in European electricity markets recently, the Company decided to enter into a PPA for the sale of electricity produced in the project with a well-known company in Spain, which is a significant electricity consumer (the "Purchaser") at fixed prices for the agreement period as specified below. It bears noting that the electricity will be sold from the project in accordance with the actual production volume in the project (pay as produced). In accordance with the provisions of the Memorandum of Principles, the agreement will be valid from the date on which electricity can be sold from the system until June 30, 2027. Half of the electricity produced in the project will be sold for a three-year period from July 1, 2022 (the "Sale Date") at €82.50 per MWh, and half will be sold for a five-year period from the Sale Date at a price of about €63.80 per MWh.

Note 30 – Events after the date of the statement on the financial situation (continued):

The remaining electricity generated during the last two years of the agreement will be sold at market prices (Merchant), in PPAs or other arrangements. From the date on which electricity can be sold from the project until the Sale Date, the Project Company will sell electricity to the Purchaser at a rate of €153.70 per MW.

iv. Electricity provider license

In March 2022, the Company obtained a license to supply electricity from the energy server. With the development of the market and its transformation into a sophisticated market, the Company intends to examine the possibility of selling electricity produced in systems owned by the Group's companies to private electricity consumers.

Holdings appendix

Below is a list of the Company's Investee Corporations and the rates of their holdings, as at December 31, 2021 and 2020:

a. Entities incorporated in Israel whose primary place of operations is Israel.

Name of entity	12.31.2021	12.31.2020
Nofar Energy Candlelight Cooperative Agricultural Association Ltd.	25%	25%
Nofar Energy – Orim Cooperative Agricultural Association Ltd.	25%	25%
Nofar Almog Cooperative Agricultural Association Ltd.	30%	30%
Alfa Nofar Energies Cooperative Agricultural Association Ltd.	22.5%	22.5%
Nofar Energy Esheld Limited Partnership	25%	25%
Nofar Givat Hashlosa Cooperative Agricultural Association Ltd.	25%	25%
Nofar Geshor Cooperative Agricultural Association Ltd.	25%	25%
D.N. Renewable Energies – Cooperative Agricultural Association Ltd.	25%	25%
Dorot Nofar Energies Cooperative Agricultural Association Ltd.	20%	20%
Nofar-Dayan Energy Ltd.	25%	25%
Nofar Energy Dalia Cooperative Agricultural Association Ltd.	25%	25%
Nofar Energy Danshar Limited Partnership	25%	25%
Nofar Dafna Cooperative Agricultural Association Ltd.	25%	25%
Nofar Hatzor Cooperative Agricultural Association Ltd.	25%	25%
Nofar Yavneh Group Cooperative Agricultural Association Ltd.	25%	25%
Yizre'el Almog Cooperative Agricultural Association Ltd.	25%	25%
Nofar Kfar Menachem Cooperative Agricultural Association Ltd.	25%	25%
Nofar Energy Kramim Cooperative Agricultural Association Ltd.	20%	20%
Nofar Lahav Cooperative Agricultural Association Ltd.	25%	25%
Nofar Energy Lehavot Habashan Cooperative Agricultural Association Ltd.	25%	25%
Nofar Energy-Minrav General Partnership	20%	20%
Nofar Matzar Cooperative Agricultural Association Ltd.	25%	25%
Nofar Mishmar Hanegev Cooperative Agricultural Association Ltd.	25%	25%
Nofar Mishmar Hanegev Alternative Energy Cooperative Agricultural Association Ltd.	25%	25%
Nofar Negba Alternative Energy Ltd.	25%	25%
Nofar Nir David Cooperative Agricultural Association Ltd.	25%	25%
Nofar Nir David Madga Cooperative Agricultural Association Ltd.	45%	45%
Nofar Nir Yitzhak Cooperative Agricultural Association Ltd.	20%	20%
Nofar Sa'ad Alternative Energy Cooperative Agricultural Association Ltd.	25%	25%
Nofar Energy Parod Cooperative Agricultural Association Ltd.	20%	20%
Nofar Tze'elim Cooperative Agricultural Association Ltd.	25%	25%
B'nei Darom Sustainability Cooperative Agricultural Association Ltd.	25%	25%
Nofar-Rohama Solar Systems Cooperative Agricultural Association Ltd.	25%	25%
Nofar Sde Boker Industry Cooperative Agricultural Association Ltd.	45%	45%
Nofar Sde Yoav Energy Cooperative Agricultural Association Ltd.	25%	25%
Sde Nehamia Energies Cooperative Agricultural Association Ltd.	40%	40%
Nofar Energy Shoval Cooperative Agricultural Association Ltd.	25%	25%
S.N.A.I. Cooperative Agricultural Association Ltd.	18%	18%
Nofar Industry 1 Ltd.	100%	100%
Nofar Edison Park, Limited Partnership	25%	25%

Name of entity	12.31.2021	12.31.2020
Nofar Etzion Ravadim Cooperative Agricultural Association Ltd.	15%	15%
Nofar Kerem Shalom Cooperative Agricultural Association Ltd.	25%	25%
Gonen Nofar Cooperative Agricultural Association Ltd.	25%	25%
Nofar Amiad Cooperative Agricultural Association Ltd.	50%	50%
Ein Tzurim Nofar Cooperative Agricultural Association Ltd.	18%	18%
Noy-Nofar Renewable Energies Europe, Limited Partnership	40%	40%
Nofar Kfar Szold Cooperative Agricultural Association Ltd.	25%	25%
MN Nofar Energy – Mivne, Limited Partnership	25%	25%
Nofar Alumot Cooperative Agricultural Association Ltd.	25%	25%
Alpha Nofar Midga Mone Neto Cooperative Agricultural Association Ltd.	24.5%	24.5%
Nofar Kfar Yehoshua Reservoirs Cooperative Agricultural Association Ltd.	25%	25%
Nofar Ein Harud Me'uhad Cooperative Agricultural Association Ltd.	25%	25%
Nofar Afek Cooperative Agricultural Association Ltd.	51%	25%
Nofar Energy Afifit PV Limited Partnership	25%	25%
Nofri Emek Hayarden Solar Energy Cooperative Agricultural Association Ltd.	25%	25%
Nofar Sde Boker Haro'a Cooperative Agricultural Association Ltd.	30%	30%
Nofar Heftziba Reservoirs Cooperative Agricultural Association Ltd.	30%	30%
Nofar Maya Ofekim, Limited Partnership	30%	30%
M.N. Solar Energy Ltd.	20%	20%
Nofar Yisca Sde Boker Cooperative Agricultural Association Ltd.	40%	40%
Nofar Shdema Cooperative Agricultural Association Ltd.	20%	20%
Nissan Energy Cooperative Agricultural Association Ltd.	20%	20%
Nofar Globus Ne'ot Hovav Ltd.	20%	20%
A.N. Allied Nofar Energy, Limited Partnership	20%	20%
Nofar Globset Kiryat Gat Ltd.	20%	20%
Nofar Alonim Reservoirs, Limited Partnership	42.5%	42.5%
Alpha Nofar Midga Mihrazim Cooperative Agricultural Association Ltd.	41.7%	41.7%
Nofar-Kfar Masaryk Reservoirs PV Limited Partnership	42.5%	42.5%
Nofar-Kfar Rupin Reservoirs Limited Partnership	42.5%	42.5%
Nofar Nir David Reservoirs Limited Partnership	42.5%	42.5%
Nofar Tze'elim Reservoirs Cooperative Agricultural Association Ltd.	50%	50%
Nofar Emek Harud Reservoirs Cooperative Agricultural Association Ltd.	50%	50%
Nofar Noy Solar Projects Limited Partnership	65%	65%
Nofar-Noy, Limited Partnership	85%	85%
Nofar Avigam Ltd.	100%	100%
Nofar-Ackerstein Solar Energy, Limited Partnership	20%	-
Nofar Gavim Cooperative Agricultural Association Ltd.	20%	-
Nofar Energy, Limited Partnership	100%	-
Nofar Energy USA, Limited Partnership	99.8%	-
Nofar Energy Europe, Limited Partnership	99.8%	-
Nofar Energy (Management) Ltd.	99.9%	-
Nofar-Noy PVGP Ltd.	85%	-
Nofar Neve Ilan Cooperative Agricultural Association Ltd.	50%	-
Reservoirs PV A.A.N. Cooperative Agricultural Association Ltd.	21.3%	-

Name of entity	12.31.2021	12.31.2020
Nofar Elifaz PV Roofs Cooperative Agricultural Association Ltd.	25%	-
Nofar Tze'elim Reservoirs PV 2 Cooperative Agricultural Association Ltd.	42.5%	-
Agira Nofar Nir Yitzhak Cooperative Agricultural Association Ltd.	49%	-
Nofar Energy Sano, Limited Partnership	100%	-
Nofar Hogwarts PV Limited Partnership	99.9%	-
Nofar Merkavim PV Limited Partnership	99.9%	-
Nofar Energy Mishmarit, Limited Partnership	49.9%	-
Nofer-Ackerstein (Management) Ltd.	20%	-
נופר אשילד (ניהול) בע"מ	25%	25%
Nofar Denshar (Management) Ltd.	25%	25%
Nofar Edison Park (Management) Ltd.	25%	25%
MN – Mivne (Management) Ltd.	25%	25%
Nofar Alonim Reservoirs (Management) Ltd.	42.5%	42.5%
Nofar Kfar Masaryk Reservoirs (Management) Ltd.	42.5%	42.5%
Nofar Maya Ofekim (Management) Ltd.	30%	30%
Nofar Energy Afifit (Management) Ltd.	25%	25%
Nofar Kfar Rupin Reservoirs (Management) Ltd.	42.5%	42.5%
Nofar Nir David Reservoirs (Management) Ltd.	42.5%	42.5%

ii. Corporations based abroad

Name of entity	12.31.2021	12.31.2020	Place of incorporation
BLUE SKY UTILITY LLC	67%	-	USA
BLUE SKY UTILITY HOLDINGS LLC	67%	-	USA
ANDROMEDA SOLUTIONS K.F.T	40%	-	Spain
OLMEDILLA HIVE, S.L	38%	-	Spain
SABINAR HIVE, S.L	36%	-	Spain
GRID HIVE, S.L	36.8%	-	Spain
SUNPRIME GENERATION SRL	16%	-	Italy
NOFAR USA LLC	100%	-	USA
ATLANTIC GREEN UK LIMITED	75%	-	England
NOVENTUM POWER LIMITED	80%	-	England
NOFAR RATESTI B.V	100%	-	Romania
RATESTI SOLAR PLANT SRL	50%	-	Romania
NOFAR EUROPE B.V	90%	-	Netherlands
NOFAR ENERGY SRL	90%	-	Romania
NOFAR ADRIA D.O.O. BEOGRAD	84.6%	-	Serbia
QUICK SIX S.R.O.	81%	-	Czechia
NOFAR ENERGY POLAND 1 sp. Z	90%	-	Poland
ELECTRUM NOFAR sp. Z	80%	-	Poland

Part C

Separate financial
information as at December
31, 2021






Table of contents

Special report by the auditor to the shareholders of
O.Y. Nofar Energy Ltd. on separate financial
information in accordance with to Regulation 9C of the
Securities (Periodic and Immediate Reports)
Regulations 5730-1970

2


Financial data from the consolidated statements on financial
position attributed to the Company itself as a parent company

3-4

Financial data from the consolidated statements on earnings
or loss and other comprehensive earnings attributed to the
Company itself as a parent company

5

Financial data from the consolidated statements on
cashflows attributed to the Company itself as a parent
company

6-7

Additional significant information related to the Company
itself as a parent company as at December 31, 2021

8-9



Special report by the auditor to the shareholders of O.Y. Nofar Energy Ltd. on separate financial information in accordance with to Regulation 9C of the Securities (Periodic and Immediate Reports) Regulations 5730-1970

We have audited the separate financial information presented in accordance with Regulation 9C .the Securities (Periodic and Immediate Reports) Regulations 5730-1970 by O.Y. Nofar Energy Ltd. (hereinafter the "Company") as at December 31, 2021 and 2020, and each of the three years in the period ended December 31, 2021. The separate financial information is the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on this separate financial information based on our audit.

The data included in the separate financial information and relating to the balance in respect of investee companies, net, and profit (loss) in respect of investee companies, net, are based on financial statements, some of which have been audited by other auditors.

We conducted our audit in accordance with auditing standards generally accepted in Israel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and details included in the separate financial information. An audit also includes assessing the accounting principles used in preparing the separate financial information and the significant estimates made by the Company's board of directors and management, as well as evaluating the overall separate financial information presentation. 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 accountants, the separate financial information was prepared, in all material aspects, in accordance with the provisions of Regulation 9C of the Securities (Periodic and Immediate Reports) Regulations 5730-1970.

Tel Aviv, March 29, 2022

Ziv Haft

Certified Public Accountants

תל אביב | ירושלים | חיפה | באר שבע | בני ברק | קרית שמונה | פתח תקווה | מודיעין עילית | נצרת עילית | אילת
03-6386868 | 02-6546200 | 04-8680600 | 077-7784100 | 073-7145300 | 077-5054906 | 077-7784180 | 08-9744111 | 04-6555888 | 08-6339911

משרד ראשי: בית אמות BDO, דרך מנחם בגין 48, תל אביב, 6618001 דוא"ל: bdo@bdo.co.il בקרו באתר שלנו: www.bdo.co.il

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Financial data from the consolidated statements on financial position attributed to the Company itself as a parent company

	As at December 31	
	2021	2020
	Thousands of ILS	
Assets		
Current assets:		
Cash and equivalents	831,623	471,238
Short-term deposits	161,025	102,120
Deposits with restricted use	640	120
Customers	234,007	156,367
Debts and mandatory balances	20,476	29,821
Inventory	56,619	65,683
Total current assets	1,304,390	825,349
Noncurrent assets:		
Balances in respect of investee companies	544,748	126,605
Right-of-use asset	28,329	13,051
Fixed assets	74,121	54,630
Loan to investee company	3,520	-
Long-term deposits	5,530	5,233
Total noncurrent assets	656,248	199,519
Total assets	1,960,638	1,024,868

The attached notes constitute an integral part of the separate financial information.

Financial data from the consolidated statements on earnings or loss and other comprehensive earnings attributed to the Company itself as a parent company

	As at December 31	
	2021	2020
	Thousands of ILS	
Liabilities and capital		
Current liabilities:		
Short-term loans and current maturity of long-term loans from banking corporations	26,636	30,080
Current maturity of liabilities for leases	2,930	1,082
Suppliers and service providers	60,094	95,299
Payables and credit balances	6,273	5,252
Financial derivatives	1,981	1,708
Loan from investee company	15,449	32,178
Current tax liability	-	1,535
Total current liabilities	113,363	167,134
Noncurrent liabilities:		
Excess losses on investments in companies treated according to the equity method	-	319
Long-term loans from banking corporations	12,597	14,537
Liabilities for leases	26,000	12,400
Bonds	398,318	-
Deferred taxes	17,702	4,951
Other liabilities	627	637
Total noncurrent liabilities	455,244	32,844
Capital attributed to the Company itself as a parent company:		
Share capital and premium	1,568,696	1,014,211
Loss balance	(226,071)	(232,923)
Capital funds	49,406	43,602
Total capital attributed to the Company itself as a parent company	1,392,031	824,890
Total liabilities and capital	1,960,638	1,024,868

March 29, 2022

**Financial reports' authorization date
for publication**

**Ofer Yanai
Chairman of the
board of directors**

**Nadav Tana
CEO**

**Noam Fisher
CFO**

The attached notes constitute an integral part of the separate financial information.

Financial data from the consolidated statements on earnings or loss and other comprehensive earnings attributed to the Company itself as a parent company

	Year ended December 31		
	2021	2020	2019
	Thousands of ILS		
Revenue	357,270	213,423	141,648
Establishment and operating costs	324,291	180,328	120,875
Gross profits	32,979	33,095	20,773
Sales and marketing expenses	7,451	2,798	2,298
Management and general expenses before allocation of shares and a one-time bonus for officers	11,473	7,426	4,533
The Company's share in companies' losses (profits) handled with the equity method, net	(4,418)	1,573	3,523
Other expenses, net	313	1,843	-
Operating profit before allocation of shares and a one-time bonus for officers	18,160	19,455	10,419
Allocation of shares and a one-time bonus for officers	-	281,654	-
Operating earnings (loss)	18,160	(262,199)	10,419
Financing costs	18,546	3,919	3,378
Financing revenue	6,549	1,030	-
Net financing revenue	11,997	2,889	3,378
Earnings (loss) prior to income taxes	6,163	(265,088)	7,041
Income tax expenses (tax benefit)	2,400	(12,871)	2,169
Annual earnings (loss)	3,763	(252,217)	4,872
Other total earnings (loss) (after tax):			
<u>Amounts to be classified or reclassified to earnings or loss under specific conditions:</u>			
Adjustments arising from the translation of financial statements of foreign operations	(29,833)	(192)	-
<u>Items that will not be subsequently reclassified due to earnings or loss:</u>			
The share in total earnings of corporations handled with the equity method	25,613	19,307	10,545
Revaluation in respect of fixed assets	9,406	265	8,522
	35,019	19,572	19,067
Total comprehensive other profits	5,186	19,380	19,067
Total annual earnings (loss)	8,949	(232,837)	23,939


The attached notes constitute an integral part of the separate financial information.

Financial data from the consolidated statements on cashflows attributed to the Company itself as a parent company

	Year ended December 31		
	2021	2020	2019
	Thousands of ILS		
Cashflows from current operations:			
Annual earnings (loss)	3,763	(252,217)	4,872
<u>Adjustments required to present cashflows from current operations:</u>			
Depreciation and amortization	3,449	2,605	919
Net financing revenue	11,998	2,889	3,378
Allocating shares to officers	-	233,732	-
The Company's share in companies' losses (profits) handled with the equity method, net	(4,418)	1,573	3,523
Capital loss	128	-	-
Share-based payment expenses	3,707	-	-
	14,864	240,799	7,820
<u>Changes in assets and liabilities sections:</u>			
Decrease (increase) in inventory	9,064	(59,766)	(2,649)
Increase in customers	(77,660)	(115,023)	(10,992)
Decrease (increase) in liabilities	9,345	(13,875)	(206)
Increase (decrease) in creditors and accounts payable	1,201	(580)	2,927
Change in shareholders	-	103	81
Increase (decrease) in vendors in service providers	(32,427)	72,997	11,339
Changes in deferred taxes	2,566	(13,331)	421
Increase (decrease) in current tax liabilities	(166)	421	1,595
	(88,077)	(129,054)	2,516
Paid income taxes	(1,468)	-	(594)
Received taxes	99	1,002	-
Interest received in cash	-	57	-
Interest paid in cash	(1,431)	(2,753)	(1,219)
Net cash from (to) current operations	(72,250)	(142,166)	13,395
Cashflows from investing activities:			
Investments in corporations handled with the equity method	(228,154)	(71,101)	(3,509)
Investment in subsidiaries	(182,664)	(303)	-
Loan granted to the Company handled with the equity method	(3,520)	-	(12,382)
Decrease (increase) in restricted deposits in use	(520)	1,043	394
Change to long-term deposits	(59,202)	(106,742)	-
Investments in fixed assets	(11,048)	(14,532)	(19,015)
Realization of fixed assets	1,527	16	6
Net cash used for investment activities	(483,581)	(191,619)	(34,506)
Cashflows from financing activities:			
Issuance of shares (less issuance expenses)	554,485	224,680	-
Issuance of shares to the public (less issuance expenses)	-	555,798	-

Net short-term credit from banking corporations	(2,154)	(23,993)	23,724
Net issuance bonds	394,421	-	-
Repayment of liabilities for lease	(1,416)	(308)	(85)
Taking out (repayment) of loan from investee company	(16,710)	32,178	-
Receipt of long-term loans from banking corporations	-	14,443	1,500
Repayment of long-term loans from banking corporations	(3,230)	(3,729)	(1,875)
Net cash derived from financing activities	925,396	799,069	23,264
Increase in cash and equivalents	369,565	465,284	2,153
Balance of cash and equivalents at the beginning of the year	471,238	6,184	4,031
Impact of changes in foreign-currency exchange rates in respect of cash and equivalents	(9,180)	(230)	-
Balance of cash and equivalents at the end of the year	831,623	471,238	6,184

The attached notes constitute an integral part of the separate financial information.

			
	Year ended December 31		
	2021	2020	2019
	Thousands of ILS		
Appendix A – significant non-cash transactions			
Initial recognition of right-of-use property and liability for lease	17,312	2,291	11,653
Consideration from realization of fixed assets	2,865	-	-

The attached notes constitute an integral part of the separate financial information.

Additional significant information related to the Company itself as a parent company as at December 31, 2021

Note 1 – Details on separate financial information:

1.1 Principles of preparing separate financial information:

The separate financial information of O.Y. Nofar Energy Ltd. (hereinafter the "Company") includes financial data from the Company's consolidated financial statements, attributed to the Company itself as a parent company, and prepared in accordance with the requirements of Regulation 9C and the Tenth Schedule to the Securities (Periodic and Immediate Reports) Regulations 5730-1970.

The accounting policies applied to the separate financial information are identical to the accounting policies detailed in note 2 to the Company's consolidated financial statements as at December 31, 2021, subject to the provisions of this section and as detailed in Note 1.2 below.

1.2 Treating inter-company transactions:

In the separate financial information, transactions between the Company and consolidated subsidiaries that were canceled in the consolidated financial statements were recognized and measured. The recognition and measurement was made in accordance with the principles of recognition and measurement set forth in international financial reporting standards so that these transactions were treated as transactions executed with third parties.

The statements included in the separate financial information presented inter-company balances and income and expenses in respect of inter-company transactions, which were eliminated in the consolidated financial statements, separately from "balances in respect of investee companies," from "the Company's share in losses (profits) treated with the equity method, net" so that the capital attributed to the parent company's owners, the profit (loss) for the period attributed to the owner of the parent company and total profit (loss) for the period attributed to the parent company's owner on the basis of the Company's consolidated financial statements were the same as the capital attributed to the Company itself as a parent company, the profit (loss) for the period attributed to the Company itself as a parent company and total profit (loss) for the period attributed to the Company itself as a parent company, respectively, based on the Company's separate financial information.

Within the amounts of the cashflows attributed to the Company itself as a parent company, the cashflows are presented, net, in respect of transactions with consolidated subsidiaries as part of current operations, investment activities or financing activities, as applicable.

The aforesaid does not apply to transactions the Company made with third parties in the context of subsidiaries.

Note 2 – Significant transactions with investee companies:

i. Balances of stakeholders and related parties

	As at December 31	
	2021	2020
	Thousands of ILS	
Customers and income receivable	222,115	147,616
Loan to related party	3,520	824
Payables and credit balances	15,449	35,045

ii. Transactions with stakeholders and related parties

	Year ended December 31		
	2021	2020	2019
	Thousands of ILS		
Revenue	339,219	196,692	102,754
Financing revenue	5,943	-	-

Part IV

Additional Corporation Details



Company Name: O.Y. Nofar Energy Ltd.

Company Registration Number: 51-459994-3

Date of Financial Status Statement or Date of Balance Sheet: December 31, 2021

Report Date or Date: March 28, 2022

Report Period: Year ended December 31, 2021

The Periodic Report: The Company's Periodic Report for 2021

Regulation 9b - Report regarding the effectiveness of internal control on financial reporting and disclosure

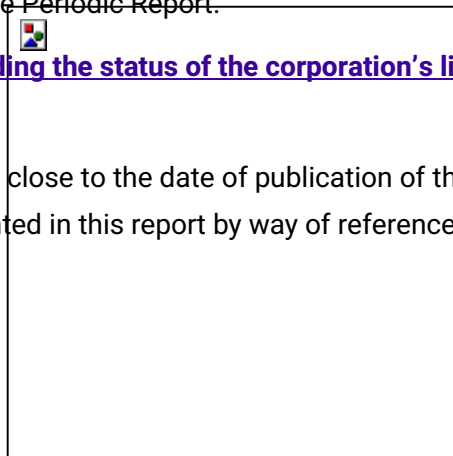
Attached in Part Five to the Periodic Report.

Regulation 9c - Separate financial statement of the corporation

A separate financial statement of the Company along with the auditor's opinion of the Company is attached in Part Three to the Periodic Report.

Regulation 9d - Report regarding the status of the corporation's liabilities according to maturity dates

See T-126, which is published close to the date of publication of the Periodic Report and in which the said information is presented in this report by way of reference.



Regulation 10a - Summarized statements of comprehensive income of the company for each quarter in 2021, in the format of Interim Financial Statements (in thousands of NIS)

	Q1	Q2	Q3	Q4	Annual
Revenue	78,631	90,348	99,626	92,157	360,762
Construction and Operation Costs	69,079	81,724	91,272	84,952	327,027
Gross Profit	9,552	8,624	8,354	7,205	33,735
Sales and Marketing Expenses	1,788	2,526	1,074	2,128	7,516
Management and general expenses prior to allotment of shares and a one-time bonus for officers	1,925	2,659	4,281	8,070	16,935
The Company's share in the losses (profits) of companies accounted for according to the equity method	2,256	(948)	(2,197)	1,100	211
Other Expenses (income), net	-	59	316	(954)	(579)
Operating profit prior to allotment of shares and one-time bonus payment of grants and allotment of options to officers	3,583	4,328	4,880	(3,139)	9,652
Grants and stock allotment options and a one-time bonus for officers	-	-	-	-	-
Operating Profit/Loss	3,583	4,328	4,880	(3,139)	9,652
Financial Expenses, net	602	(1,195)	4,380	2,153	5,940
Income Taxes (tax benefits)	1,643	1,585	(660)	(1,897)	671
Annual Net Profit/Loss	1,338	3,938	1,160	(311)	3,041

	Q1	Q2	Q3	Q4	Annual
Other Comprehensive Profit/Loss	3,823	7,854	3,917	(3,246)	8,227

Regulation 10c - Use in exchange for securities offered pursuant to a recently published prospectus prior to the date of the report

On December 15, 2020, the Company issued, by way of a non-uniform offer to institutional investors and a uniform offer to the general public, in accordance with the Securities Regulations (the manner of offering securities to the public), 2007, by virtue of a prospectus to complete the Company. On December 8, 2020 (reference number: 2020-01-133446), and according to a supplementary notice dated December 13, 2020 (reference number: 2020-01-134934) (hereinafter collectively: "**Company Prospectus**"), the information stated in which is presented in this report By way of reference, 5,802,950 ordinary shares with no face value of the Company¹. In return for the shares issued, the company received a consideration (gross) in the total amount of **577,974 thousand shekels**.

In August the Company made a public offering and registration for trading of **400 million NIS** par value. of the bonds (Series A), by virtue of a page proposal report published by the Company on August 2, 2021 (reference no. 2021-01-131616), in which the information stated in this report is presented by reference .

As part of the Company's prospectus and shelf offer report, the Company stated that the proceeds of the offering shall be used to finance the Company's business activities in accordance with the Company's periodic management decisions. As of the date of the report, the Company made use of the proceeds of the IPO to finance the acquisition and construction of projects and for investment in European construction.

¹ In total, as part of the offer according to the Company's prospectus, institutional investors and the general public were offered 6,154,700 ordinary shares without a par value of the Company, of which 5,802,950 shares were offered by the Company by way of an IPO. And 351,750 shares were offered by Mr. Ofer Yanai, the controlling shareholder in the company and chairman of the company's board of directors by way of a sale offer.

Regulation 11 - List of investments in subsidiaries and affiliated companies as of the balance sheet date.

Below are details of the Company's investments in the main Group companies ⁽¹⁾:

Company Name	Type of Share	Number of Shares/ Convertible Securities According to Classes	Nominal Value (ILS/USD/ EUR/GBP/ RON)	Their value (in thousands of NIS) in the separate financial statements of the Company as of 31/12/2021	Exchange Rate	Holding Rate in% of capital in voting and the right to appoint directors	Loans granted (received) by the Company to subsidiaries and affiliates				
							Balance of loans and capital notes, including accrued interest as of 31/12/2021 (in thousands of NIS)	Interest	Years of Redemption	Linkage Conditions and Linkage Basis	Details of rights to exchange bonds/ loans in shares or other convertible securities
Nofar Noy, limited partnership ("Nofar-Noy Reservoirs")	---	---	---	0	---	85%	(15,449)	(945)	Cash Sweep	---	---
Noy-Nofar Renewable Energies Europe, Limited Partnership ("Noy-Nofar Europe")	---	---	---	199,179	---	13%	---	---	---	---	---
Nofar-Noy Solar Projects, Limited Partnership ("Nofar-Noy Solar Projects")	---	---	---	0	---	9%	---	---	---	---	---
Nofar Europe B.V.	Ordinary Shares	90	0.01	14,080	---	90%	3,520	---	---	---	---
Blue Sky Utility LLC and Blue Sky Utility Holdings LLC ("Blue Sky")	Security Interest	---	---	97,980	---	67%	6,220	---	---	---	---

Company Name	Type of Share	Number of Shares/ Convertible Securities According to Classes	Nominal Value (ILS/USD/ EUR/GBP/ RON)	Their value (in thousands of NIS) in the separate financial statements of the Company as of 31/12/2021	Exchange Rate	Holding Rate in% of capital in voting and the right to appoint directors	Loans granted (received) by the Company to subsidiaries and affiliates				
							Balance of loans and capital notes, including accrued interest as of 31/12/2021 (in thousands of NIS)	Interest	Years of Redemption	Linkage Conditions and Linkage Basis	Details of rights to exchange bonds/ loans in shares or other convertible securities
Atlantic Green UK Limited	Ordinary Shares	300	1	---	---	75%	---	---	---	---	---
Noventum Power Limited	Ordinary Shares	80	1	98	---	80%	---	---	---	---	---
Ratesti Solar Plant s.r.l.	Ordinary Shares	146,838	100	33,499	---	50%	---	---	---	---	---
Nofar Ratesti B.V.	---	---	---	29,219	---	100%	---	---	---	---	---

(1) As of the date of the report, Noy-Nofar Europe and Nofar Europe hold companies operating in Europe. Whereas these corporations do not generate income, the tables according to Regulations 11, 12 and 13 present the data of Noy-Nofar Europe and Nofar Europe, which consolidate these companies in their financial statements.

Regulation 12 - Changes in investments in subsidiaries and affiliated companies during the reporting period

Below are details regarding changes in investments made by the Company during 2021 in subsidiaries and affiliated companies:

Loan/ Investment	The date of the investment	Amount of Investment (in thousands of shekels)	The Corporate Group
Investment	1-12/2021	199,179	Noy-Nofar Europe
Investment	1-12/2021	28,210	Corporate Project
Investment	1-12/2021	14,080	Nofar Europe B.V.
Investment	7-12/2021	97,980	Blue Sky
Investment	11-12/2021	--	Atlantic Green UK Limited
Investment	10-12/2021	98	Noventum Power Limited
Investment	7-12/2021	33,499	Ratesti Solar Plant s.r.l.
Investment	7-12/2021	29,219	Nofar Ratesti B.V.

Regulation 13 - Income of subsidiaries and affiliated companies and corporate income from them as of the date of the Report on Financial Status
(in thousands of shekels)

Below are additional details regarding main Group companies ²:

Company Name	Profit/Loss before Tax	Other Comprehensive Profit/Loss	Comprehensive Profit/Loss	Received Income							
				Dividend			Management Fees			Interest	
				Dividend up to the Date of the Report	Dividend received after the Date of the Report (with indication of the date of payment)	Dividend which the Company is entitled to receive for a reporting year or for a subsequent period	Management Fees up to the Date of the Report	Management Fees After the Date of the Report (with indication of the date of payment)	Management Fees the Company is entitled to receive for a reporting year or subsequent period	Interest Received up to the Date of the Report (with indication of the date of payment)	Interest the company is entitled to receive for the reporting year or subsequent period (specifying the date of payment)
Nofar-Noy Reservoirs	(1,460)	---	(1,460)	---	---	---	---	---	---	---	---
Noy-Nofar Europe	(2,850)	---	(2,850)	---	---	---	---	---	---	---	---
Nofar Europe B.V.	(27)	---	(27)	---	---	---	---	---	---	---	---
Blue Sky	4,138	---	4,138	---	---	---	520	85	---	---	---
Atlantic Green UK Limited	---	---	---	---	---	---	---	---	---	---	---

² The data reflect the data of the companies as a whole (according to 100% data) without taking into account the Company's holdings rate.

Company Name	Profit/Loss before Tax	Other Comprehensive Profit/Loss	Comprehensive Profit/Loss	Received Income							
				Dividend			Management Fees			Interest	
				Dividend up to the Date of the Report	Dividend received after the Date of the Report (with indication of the date of payment)	Dividend which the Company is entitled to receive for a reporting year or for a subsequent period	Management Fees up to the Date of the Report	Management Fees After the Date of the Report (with indication of the date of payment)	Management Fees the Company is entitled to receive for a reporting year or subsequent period	Interest Received up to the Date of the Report (with indication of the date of payment)	Interest the company is entitled to receive for the reporting year or subsequent period (specifying the date of payment)
Noventum Power Limited	---	---	---	---	---	---	---	---	---	---	---
Ratesti Solar Plant s.r.l.	---	---	---	---	---	---	---	---	---	---	---

Regulation 14 - Loan balances if granting loans was one of the main business of the corporation

Granting loans is not one of the main business of the corporation.

Regulation 20 - Stock Trading - Securities registered for trading during the Reporting Period and Trading Break Dates and Reasons

Issuance of bonds - On August 16, 2021, the Company completed an issue of 400 million shekels par value. Bonds. Index -linked bonds, bearing an annual interest rate of 1.48% and are repaid in ten semi-annual unequal installments, from June 30, 2023 until December 31, 2027. For further details, see the shelf offer report published by the Company on August 12, 2021 (reference number 2021-01-131616), reporting the results of the issuance and the trust deed dated August 16, 2021 (reference number 2021-01-065704 and 2021-01-065244), in which the information stated in this report is presented by manner of reference.

Private issuance of the Company's shares - On October 27, 2021, the Company completed a private issuance and registration for trading of 7,744,907 ordinary shares of the Company, against payment of a total of approximately 555 million shekels to 16 classified investors, as defined in this term in the First Appendix to the Securities Law, 5727-1967. For further details see the Immediate Reports published by the Company on October 25, 2021 (reference number 2021-01-090994) and October 27, 2021 (reference number 2021-01-091786), in which the information stated in this report is presented by manner of reference.

Issuance of non-tradable for employees' shares - on December 29, 2021, the Company issued 683,824 non-tradable options convertible into 683,824 ordinary shares of the Company, under the conditions set forth in the Employee Outline published on July 22, 2021 (Reference No. 2021-01-05696), in which the information stated in this report is presented by manner of reference.

During the reporting period, there were no trade breaks (except for fixed breaks).

Regulation 21 - Payments to Senior Officers

The following are details of the remuneration given, in the reporting year, by the Company or by another, as recognized in the Financial Statements for the reporting year, to each of the five highest remunerated officers of the Company or a corporation under its control, in connection with the tenure of the Company or a corporation under its control and the three highest royalty holders of the Company, as stipulated in Regulations 21(a) (1) and 21(a) (2) (in thousands of shekels):

Remuneration Recipient Information				Remuneration* for services							Total
Name	Position	Job Scope	Holding rate of the Corporation's capital	Salary	Bonus	Share-Based Remuneration	Management Fees	Consultation Fees	Commission Fee	Other**	
Ofer Yanai	Active Chairman of the Board	100%	29.11%	---	---	---	840,000	---	---	25,000	840,000
Sagi Sandler	VP of Engineering	100%	---	784,807	133,993	715,500	---	---	---	72,000	1,706,301
Tzur Lance	VP of Operations	100%	---	676,779	120,207	715,500	---	---	---	72,000	1,584,486
Ofer Oberlander	Director of Business Development Europe	100%	---	773,253	103,190	431,700	---	---	---	72,000	1,380,142
Tomer Drovel	US Business Development Manager	100%	---	579,360	73,534	345,374	---	---	---	289,735	1,288,003

"Wages" - including ancillary conditions to wages, such as vacation and sick days, redemption of vacation and sick leave, vehicle maintenance, telephone, social conditions, provisions due to termination of employer-employee relations, and any income credited to wages due to an element granted to an employee.

*Remuneration - includes direct or indirect payments and other benefits, including salaries, grants, management fees, consultancy fees, rent, commission, interest, and share-based payments and all other benefits except dividends.

* Remuneration amounts are presented in terms of cost to the company.

** Other - Vehicle Maintenance and Relocation Expenses.

The following are additional details regarding the recipients of the said benefits:

1. **Mr. Ofer Yanai** - the controlling shareholder of the Company and who serves as an active Chairman of the Board of Directors of the Company (hereinafter: "**Ofer**"). Pursuant to the agreement between the Company and a company under the control of Ofer (in this section: "**Management Company**" and "**Management Agreement**"), the principal of which is as follows:

In respect of the provision of active board chairman services to the Company (on a full-time basis) (in this section hereinafter: the "**Position**" and "**Management Services**," as applicable), as of September 2020 the Management Company is entitled to a monthly management fee of 70,000 shekels (plus VAT) (hereinafter in this section: "**Management Fees**"), which increase by 5% each year (compared to the previous year), with the expiration of 12 months, 24 months and 36 months from September 2020. In addition, Ofer is entitled to a Class 7 vehicle, incurring vehicle maintenance expenses, reimbursement of expenses incurred for the fulfillment of his duty, insurance coverage, exemption and indemnification under the conditions specified in Section 8.3 of the Company's prospectus, in which the information stated in this report is presented by means of reference.

The agreement is for an indefinite period, during which a Management Company will provide Management Services via Ofer (only) as part fulfillment of the position (without an employer-employee relationship between Ofer and the Company), in a full-time position.

The engagement in the Management Agreement may be terminated by the Company or by the Management Company with 6 months prior notice, subject to exceptions.

Ofer and the management company are obligated to compete with the Company until 12 months have elapsed from the date of termination of the engagement in the management agreement.

The above updated terms of office and employment of Mr. Ofer Yanai are in accordance with the Company's Remuneration Policy, which was attached as Appendix A to Chapter 8 of the Company's Prospectus, in which the information stated in this report is presented by means of reference. (hereinafter: the "**Remuneration Policy**").

2. **Sagi Sandler** - In accordance with the employment agreement between the Company and Mr. Sandler, in exchange for his tenure in the position above, in the scope of a full-time position, Mr. Sandler is entitled to a monthly salary, in the amount of 54.600 thousand shekels, plus acceptable related conditions in the Company as specified in Section 4.2.4 of the Corporate Business Description Chapter - Part A of the Periodic Report for 2021, in which the information stated in this report is presented by means of reference, including annual vacation days, pension arrangement, study fund, vehicle, prior notice etc..

Furthermore, Mr. Sandler is entitled to the insurance coverage that the Company will prepare, as well as to exemption and indemnification under the conditions specified in Section 8.3 of

the Company's Prospectus, in which the information stated in this report is presented by means of reference. In addition, in 2021, Mr. Sandler received a bonus as detailed in the table above and also 181,321 options converted into 181,321 ordinary shares of the Company, under the conditions as described in the Employee Outline published on July 22, 2021 (reference number 2021-01-05696), in which the information stated in this report is presented by means of reference.

The terms of office and employment of Mr. Sandler are in accordance with the Remuneration Policy.

- 3. Tzur Lance** - In accordance with the employment agreement between the Company and Mr. Lance, in exchange for his tenure in office above, in a full-time position, Mr. Lance is entitled to a monthly salary, in the amount of 45,600 shekels, plus acceptable related conditions in the Company as specified in Section 4.2.4 of the Corporate Business Description Chapter - Part A of the Periodic Report for 2021, in which the information stated in this report is presented by means of reference, including annual vacation days, pension arrangement, study fund, vehicle, prior notice, etc.

In addition, Mr. Lance is entitled to the insurance coverage that the Company will prepare, as well as to exemption and indemnification under the conditions specified in Section 8.3 of the Company's Prospectus, in which the information stated in this report is presented by means of reference.

Additionally, in 2021, Mr. Lance received a bonus as detailed in the table above and also 181,321 options converted into 181,321 ordinary shares of the Company, under conditions as detailed in the Employee Outline published on July 22, 2021 (reference number 2021-01-05696), in which the information stated in this report is presented by means of reference.

The terms of office and employment of Mr. Lance are in accordance with the Remuneration Policy.

- 4. Ofer Oberlander** - In accordance with the employment agreement between the Company and Mr. Oberlander, in exchange for his tenure in office above, in a full-time position, Mr. Oberlander is entitled to a monthly salary, in the amount of 50,000 shekels plus acceptable related conditions in the Company as specified in Section 4.2.4 of the Corporate Business Description Chapter - Part A of the Periodic Report for 2021, in which the information stated in this report is presented by means of reference, including annual vacation days, pension arrangement, study fund, vehicle, prior notice, etc.

In addition, Mr. Oberlander is entitled to the insurance coverage that the Company will prepare, as well as to exemption and indemnification under the conditions specified in Section 8.3 of the Company's prospectus, in which the information stated in this report is presented by means of reference. In 2021, Oberlander received a bonus as detailed in the table above and

51,806 options converted into 51,806 ordinary shares of the Company, under conditions as described in the Employee Outline published on July 22, 2021 (reference number 2021-01-05696), in which the information stated in this report is presented by means of reference.

The terms of office and employment of Mr. Oberlander are in accordance with the Remuneration Policy.

- 5. Tomer Droval** - In accordance with the employment agreement between the Company and Mr. Droval, in exchange for his tenure in office above, in a full-time position, Mr. Dorval was entitled to a monthly salary, in the amount of 38,000 shekels, plus acceptable related conditions in the Company as specified in Section 4.2.4 of the Corporate Business Description Chapter - Part A of the Periodic Report for 2021, in which the information stated in this report is presented by reference, including annual vacation days, pension arrangement, study fund, vehicle, prior notice, etc.

In addition, Mr. Droval is entitled to the insurance coverage that the Company will prepare, as well as to exemption and indemnification under the conditions specified in Section 8.3 of the Company's Prospectus, in which the information stated in this report is presented by means of reference. Additionally, in 2021, Mr. Droval received a bonus as detailed in the table above and 41,445 options converted into 41,445 ordinary shares of the Company, under conditions as described in the Employee Outline published on July 22, 2021 (reference number 2021-01-05696), in which the information stated in this report is presented by means of reference.

In December 2021, Mr. Droval was relocated to the United States and, as of that date, he is an employee of Blue Sky. The remuneration in the table includes payments made to Mr. Droval in connection with his relocation to the United States.

The terms of office and employment of Mr. Droval are in accordance with the Remuneration Policy.

Below are details of remuneration granted to any stakeholder in the Company, who is not among the recipients of remuneration as stated in Section A above, by the Company or by corporations under its control in connection with services rendered by the Company or by a corporation under its control, whether or not an employer-employee relationship exists, and even if such stakeholder is not a senior officer, which were recognized in the financial statements for the year 2020 (in thousands of shekels):

Directors' Remuneration

The Company pays Company directors (who do not receive remuneration in respect of other positions as employees and/or officers of the Company and/or Corporations under its control in an amount exceeding 50%) remuneration and reimbursement of expenses in the amounts prescribed in the Companies Regulations (Rules Regarding Remuneration and Expenses to an External Director), 5768 - 2000 (hereinafter: "**Remuneration Regulations**").

Furthermore, in accordance with the decisions of the Company's Board of Directors and the Shareholders' Meeting, the Company pays external and independent directors with accounting and financial expertise, annual remuneration and participation in meetings at the maximum amounts specified in the Fourth Appendix to the Remuneration Regulations, in accordance with the Company's equity class as defined in the Remuneration Regulations (as periodically defined), and reimbursement of expenses in accordance with the Remuneration Regulations.

Regulation 21a -Control of the Corporation

As of the balance sheet date, the controlling shareholder of the Company is Mr. Ofer Yanai, who holds 29.11% of the issued and paid-up share capital, and 34.37% of the voting rights in the Company.

For details regarding the Shareholders Agreement between Mr. Ofer Yanai and the Noy Foundation (a Company stakeholder), see Section 4.7.3.2 of the Corporate Business Description chapter - Part A of the Periodic Report for 2020, which was published on March 30, 2021 (reference number 2021-01-049992), in which the information stated in this report is presented by manner of reference.

For details on agreements with the Securities and Exchange Commission in relation to the approval of communications with the company's CEO, the CFO and the VP of Business Development in the Company, see Section 3.4A of the Company's prospectus, in which the information stated in this report is presented by manner of reference.

Regulation 22 - Transactions with Controlling Shareholders

Engagement Type	Engaged Parties	Engagement Description	Date/Period of Engagement	Key Conditions	Authorizations	A Shareholder who is a Personal Stakeholder
Terms of Tenure, Employment and Exceptional Transactions						
Management Agreement	The management company controlled by Ofer Yanai and the Company.	Services of Active Chairman of the Board of Directors to the Company for an indefinite period.	As of September 10, 2020 (as updated on September 30, 2020), for an indefinite period, subject to 6 months' prior notice and the provisions of the law.	See Regulation 21 above	The engagements were approved by the Company's Board of Directors and the Shareholders' Meeting on September 10 and 30, 2020 and December 3, 2020, as applicable.	Ofer Yanai
Exemption and Indemnity	Ofer Yanai and the Company	Arranging Liability for Tenure as an Officer of the Company	From September 10, 2020, for an unlimited period, subject to termination of employment as an officer and the provisions of law.	See Section 8.3 of the Company's Prospectus, in which the information stated in this report is presented by manner of reference.		
Insurance Coverage	Ofer Yanai and the Company	Insurance coverage as part of directors and officers liability insurance policies and in respect of an IPO, according to the Company's Prospectus.	From September 10, 2020, in connection with insurance coverage according to the current policy and from December 3, 2020, in the POSI policy and current policies, following the IPO.			
Exceptional Transactions						
Owner Guarantees to Secure Contractual and Financing Obligations	Ofer Yanai vis-a-vis third parties for the Company	Personal guarantees to secure the Company's obligations towards banking corporations (hereinafter: " Eligible Banks ") and towards a joint project corporation as part of the establishment of the project held by such a corporation in Israel.	The validity of the guarantees is as collateral for taking bank credit lines and/or to comply with the terms of engagements with a joint project corporation to establish the project held by such a corporation in Israel.	Upon completion of the issuance of the Company's shares, guarantees furnished by the controlling shareholder towards the Eligible Banks were cancelled, with the exception of one guarantee that expired upon fulfillment of the Company's obligations in connection with it.	The engagement to release Ofer Yanai from all owner guarantees to the banks, on terms to be determined by the banks, was approved by the Company's Board of Directors and the Shareholders' Meeting on September 30, 2020.	Ofer Yanai

Engagement Type	Engaged Parties	Engagement Description	Date/Period of Engagement	Key Conditions	Authorizations	A Shareholder who is a Personal Stakeholder
Terms of Tenure, Employment and Exceptional Transactions						
Sponsorship to "Hapoel Nofar Upper Galil"	Ofer Yanai	Hapoel Nofar Upper Galil Basketball Team Sponsorship	July 2021	Mr. Yanai sponsored Hapoel Upper Galil for the Company.	In July 2021, the Audit Committee approved the engagement as a non-exceptional transaction that had no effect other than to exonerate the Company.	



Regulation 24 - Holdings of Stakeholders and Senior Officers

See the Immediate Report dated January 9, 2022 (reference no.: 2022-01-004831), in which the information stated in this report is presented by manner of reference.

Article 24a - Registered, Issued Capital and Convertible Securities

See Note 19 to the Company's Financial Statements as of December 31, 2021.

Regulation 24b - Register of Shareholders of the Corporation

Name of Shareholder	Company Number	Address	Number of Shares
The Company for Registrations of the Tel-Aviv Stock Exchange Ltd.	515736817	2 Achuzat Bayit, Tel Aviv	33,647,857

Regulation 25a - Registered Address

Registered Address: 4 HaOdem, Yitzhar Industrial Park, Industrial Zone Ad Ha'Lom

Phone: 08-3750060

Fax: 08-3750061

E-mail:

Regulation 26 - Directors of the Corporation (as of the date of the report)

Name	Ofer Yanai	Yoni Tal	Dafna Cohen	Gili Cohen	Tzvi Levine	Yonit Partuk	Moshe Bar Tov	Uri Orbach
Identity Number:	031919467	053343331	024812943	022648786	00582117	024662587	033409897	029744588
D.O.B:	2.2.1975	18.6.1955	23.2.1970	25.8.1966	7.3.1947	24.2.1970	21.10.1976	29.4.1973
Address for Serving Judicial Documents:	19/2 Ha'Prachim St., Ra 'anana	Tirzah 30, Ramat Gan	43 Moshe Sharett St., Tel Aviv	Amos 10, Ramat Gan	Shoval	Kibbutz Galon	10/13 Ben Tabai Street Entrance B Jerusalem	10A Ha'Palmach Mazkeret Batia
Nationality:	Israeli	Israeli	Israeli	Israeli	Israeli	Israeli	Israeli	Israeli
Membership of a Committee or Committees of the Board of Directors:	No.	Committee for Examination of Financial Statements, Audit	Committee for Examination of Financial Statements,	Committee for Examination of Financial Statements, Audit	No.	No.	No.	No.
Independent Director or External Director:	No.	Independent Director	External Director	External Director	No.	No.	No.	No.
Has accounting and financial expertise or professional qualifications:	No.	Has accounting and financial expertise	Has accounting and financial expertise	Has accounting and financial expertise	No.	No.	Has accounting and financial expertise	Has professional qualifications
External Expert Director:	No.	Yes.	Yes.	Yes.	No.	No.	No.	No.
An employee of the corporation, of a subsidiary thereof, of a related company thereto or of a stakeholder therein:	Controlling Shareholder of the Company	No.	No.	No.	No.	No.	No.	No.
Date of commencement of office:	4.7.2011	3.12.2020	31.1.2021	31.1.2021	18.3.2021	18.3.2021	8.8.2021	8.8.2021

Name	Ofar Yanai	Yoni Tal	Dafna Cohen	Gili Cohen	Tzvi Levine	Yonit Partuk	Moshe Bar Tov	Uri Orbach
Education:	Graduated in Physics, Mathematics and Computer Science, Hebrew University; Certified Business Administrator, Ben Gurion University	Graduated in Economics and Business Administration, Bar Ilan University; Certified in Economics, Bar Ilan University	Graduated in Economics and Political Science, Hebrew University; Certified Business Administration (MBA) Specialization in Finance and Accounting, Hebrew University	Graduated in Economics and Geography, Hebrew University; Certified Business Administration (MBA), Hebrew University	Graduated in Engineering, Industry and Technion Management	Management Graduate, Ben Gurion University, Certified Business Administration, Ben Gurion University	Bachelor of Economics, Hebrew University; Certified in Economics and Business Administration, Hebrew University	Electronics Engineer, Tel Aviv University

Name	Ofer Yanai	Yoni Tal	Dafna Cohen	Gili Cohen	Tzvi Levine	Yonit Partuk	Moshe Bar Tov	Uri Orbach
<p>Occupation for the past 5 years:</p>	<p>Chairman of the Board of Directors of the Company</p>	<p>Chairman of Arion Fund Management LLC (providing loans to real estate in the United States; Chairman of the Internal Credit Committee at Menora Mivtachim Insurance Ltd.; Chief Investment Officer at Menora Mivtachim Holdings Ltd. (public company); Member of the Management Board and Deputy CEO at Menora Mivtachim Insurance Ltd.; Director of several corporations in the Menora Mivtachim Group.</p>	<p>CFO and VP in Business Development- Maman Cargo Terminals and Handling Ltd.; Business Control and Investor Relations Manager-El Al Israel Airlines Ltd.; Director in Public Companies</p>	<p>Lecturer in Economics, College of Management; Director of Companies; Adviser to Financial Entities</p>	<p>Business Manager and Chairman of Kibbutz Shoval and CEO of the Agricultural Cooperative Association "Friends of Avshalom".</p>	<p>CEO and CFO of the Water Workers Organization; CEO and CFO of Kibbutz Tze 'elim</p>	<p>Director of the Health Division at Clal Insurance Company Ltd.; Director General of the Ministry of Health</p>	<p>Acting CEO and VP of L & S Light & Strong Ltd.</p>

Name	Ofar Yanai	Yoni Tal	Dafna Cohen	Gili Cohen	Tzvi Levine	Yonit Partuk	Moshe Bar Tov	Uri Orbach
<p>Corporations in which he serves as a director:</p>	<p>Most of the Company's holding corporations, including Nofar-Noy Solar General Partner Ltd. (Nofar-Noy Solar Projects General Partner, Limited Partnership)</p>	<p>Harel Insurance Company Ltd.; EMI. - Ezer Mortgage Insurance Company Ltd.</p>	<p>Maman Logistics & Investments (1992) Ltd., Archive 2000 Ltd., Logistacar Ltd., Logistacar Bonded (1998) Ltd., Logisticare Granary Ltd., Gav-Yam Maman Properties in Lod Ltd., Orisal Ltd., Tal Limousine Services Ltd., Israelimo Automobile Rentals Ltd., Maman Aviation Ltd., APG Israel Aviation Ltd., Maman Globus Ltd., Globus Packaging and International Forwarding Ltd., Tri-Wall (Israel) Packaging Solutions Ltd., Maman Infrastructure Ltd., Maman Dimona Infrastructure Ltd., Laufer GHI Aviation Ltd., Maman Cargo & Security Ltd.</p>	<p>Y.H. Dimri Ltd., Israel Land Development Company Ltd., USB Securities Israel Ltd., Technoplast Ventures Ltd., Sela Capital Real Estate Ltd., Sigma Mutual Funds Ltd.</p>	<p>Members of Avshalom Agricultural Cooperative Association Ltd. and from Negev Oil Company Ltd.</p>	<p>The Negev Agricultural Society Ltd., Southern Israel Credit and Purchasing ACS Ltd., the Negev and Arava Ltd., Ha'Negev Garage Ltd., Dahan and Amar Ltd. and Nitzanim Management and Holding - Agricultural Cooperative Society Ltd.</p>	<p>UpHealth Holding Inc., Sativus Tech Corp. and the Psifas Venture</p>	<p>L&S Light & Strong Ltd.</p>

Name	Ofer Yanai	Yoni Tal	Dafna Cohen	Gili Cohen	Tzvi Levine	Yonit Partuk	Moshe Bar Tov	Uri Orbach
Family member of another stakeholder in the Corporation:	No.	No.	No.	No.	No.	No.	No.	No.
Has accounting and financial expertise to meet the minimum number defined by the Board of Directors:	No.	Yes.	Yes.	Yes.	No.	No.	Yes.	No.



Regulation 26a - Senior Officers of the Corporation (as of the date of the report)

Name:	Nadav Tenne	Noam Fischer	Shachar Gershon	Sagi Sandler	Ayana Wexler	Tzur Lance	Ofer Oberlander	Albert (Avi) Fish	Olla Kielnowski	Oren Ben Shimol	Nisso Hazan	Ofer Berkowitz	Haim Halfon
Identity Number:	36194298	34826669	040759425	036061620	043236637	022841803	021359518	027108786	307616995	037459229	033627597	039891452	068931690
D.O.B:	9.14.1979	29.10.1978	12.1.1981	30.4.1979	12.9.1981	17.12.1966	6.12.1979	30.12.1973	19.5.1982	15.6.1980	27.1.1977	7.7.1983	27.12.1964
Date of commencement of office:	7.1.2014	19.10.2014	1.2.2017	27.3.2016	1.4.2021	1.1.2019	20.12.2020	23.10.2019	11.10.2020	27.3.2019	15.3.2021	6.2.2021	31.1.2021
The position he holds in the corporation, subsidiary, affiliated company or stakeholder therein:	Chief Executive Officer Member of the board of directors of several corporations held	CFO Member of the Management Board of investees, including: Nofar-Noy PVGP Ltd. (General Partner in Nofar-Noy, Limited Partnership ID	VP Business Development	VP Engineering and Technologies	Vice President of Legal Affairs	VP of Operations	Overseas Business Development Manager	VP of Service	Licensing Department Manager	Comptroller	Manager of Company Vehicle Loading Activities	Manager of Company Municipal Activities	Internal Auditor
A stakeholder in a Corporation or a family member of another senior official or of a stakeholder in the Corporation:	Stakeholder	Stakeholder	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.

Name:	Nadav Tenne	Noam Fischer	Shachar Gershon	Sagi Sandler	Ayana Wexler	Tzur Lance	Ofer Oberlander	Albert (Avi) Fish	Olla Kielnowski	Oren Ben Shimol	Nisso Hazan	Ofer Berkowitz	Haim Halfon
Education:	Graduate in Economics and the Middle East, Ben Gurion University; Master of Business Administration, Ben Gurion University	Graduate in Economics and Accounting, Haifa University; Certified Public Accountant	Economics and Management Studies, Open University	Graduate in Electrical Engineering, Holon Institute of Technology	Graduated in Legal and Economics from Bar Ilan University	Bachelor of Law, Tel Aviv University	Graduated in Economics and Business Administration, Ben Gurion University; Certified in Economics, Ben Gurion University	Graduate in Business Administration, Or Yehuda Academic Studies Center	Graduate in Geography, Bar-Ilan University; Project Management Course, Netivim College	Graduated in Business Administration (specialization in Accounting), Ono Academic City; Certified CPA	Graduate in Management and Communication, Open University	Graduated in Economics, Philosophy and Political Science, Hebrew University; Certified in Business Management, Hebrew University	Graduated in Economics and Accounting from the Hebrew University; Certified in Finance, Hebrew University
Business experience over the past 5 years:	CEO of the Company	CFO of the company	VP of Company Business Development; Business Development Manager at Enlight Renewable Energy Ltd.	VP of Company Engineering and Technologies; Chief Engineer at the Company; Chief Engineer at Energix-Renewable Energies Ltd.	VP of Legal Affairs of the Company; Partner in the Law Firm Shimonov & Co.; Partner in the Law Firm Lipa Meir & Co.	Director of Operations/VP of Company Operations; Project Manager at Enlight Renewable Energy Ltd.	Project Manager and Chief Economist at Delek Drilling Limited Partnership	Manager of the Company's Service Department; Operations and Logistics Manager at Mey Eden Water Company; Service Manager at Amisragas Ltd.	Project Manager and Director of Sources at A. Epstein & Sons Ltd; responsible for licensing in the natural gas sector at Baran Epco	Company Comptroller; Comptroller at Haargaz Industries Ltd.; Comptroller at Plasto-Cargal Group Ltd.	CEO of Nayax EV Meter	Founder and Chairman of the Jerusalem Awakening Movement; Strategic Advisor at Sakal Holdings; Deputy Mayor of Jerusalem	Partner at PKF Amit Halfon

Regulation 26b - Number of Independent Signatories

The company has no independent signatories.

Regulation 27 - The Company's Accountants

Ziv Haft (BDO), 48 Menachem Begin Road, Tel Aviv.

Regulation 28 - Changes to the Memorandum or Articles of Association

On August 30, 2021, the General Meeting of the Company's Shareholders approved changes to the existing Company's Articles of Association, in the version published by the Company in an Immediate Report dated August 30, 2021 (reference number: 2021-01-073906), in which the information stated in this report is presented by manner of reference (hereinafter: "**New Articles of Association**").

Regulation 29

a. Recommendations and decisions of the Board of Directors that do not require the approval of the General Meeting

(1) Dividend payment or distribution:

None.

(2) Changes in the registered or issued capital of the Corporation:

On October 27, 2021, the Company issued 7,744,907 ordinary shares of the Company to 16 classified investors, as defined in this term in the First Appendix to the Securities Law, 5727-1967. For further details see the Immediate Reports published by the Company on October 25, 2021 (reference number 2021-01-090994) and October 27, 2021 (reference number 2021-01-091786), in which the information stated in this report is presented by manner of reference.

On December 29, 2021, the Company issued 683,824 non-marketable options converted into 683,824 ordinary shares of the Company, under the conditions set forth in the Employee Outline published on July 22, 2021 (reference number 2021-01-05696), the information stated in this report is presented by reference.

(3) Change of Memorandum and Articles of Association of the Corporation:

See Regulation 28 above.

(4) Redemption of Shares:

N/A

(5) Early redemption of bonds:

N/A

(6) A transaction that is not in accordance with the market conditions between the corporation and its interested party, except for a transaction of the Company with its subsidiary:

See Regulation 22 above.

b. General Meeting decisions not in accordance with the recommendations of the Board of Directors of the Company

N/A

c. Special General Meeting Resolutions

(1) At a special General Meeting of the Company convened on January 31, 2021, the appointment of Ms. Dafna Esther Cohen and Gilli Cohen as external directors of the Company was decided.

(2) At the Company's Annual General Meeting convened on August 30, 2021, the General Meeting approved the (1) Reappointments of Mr. Ofer Yanai, Mr. Yoni Tal, Ms. Yonit Partuk and Mr. Zvi Levin as directors of the Company until the end of the Company's next Annual General Meeting; (2) Appointments of Mr. Moshe Bar Siman Tov and Mr. Uri Orbach as directors of the Company until the end of the next Annual General Meeting of the Company; (3) Reappointment of the accounting firm Ziv Haft BDO as the Company's auditors, and authorization of the Company's Board of Directors to determine their salaries; (4) Amending the Company's Articles of Association, in such a manner that provisions regarding decisions subject to approval by a special majority of the Company's Board of Directors have been repealed.

Regulation 29a - Company Decisions

(1) Approval of actions under Section 255 of the Companies Law:

N/A

(2) Actions under Section 254(a) of the Companies Law:

N/A

(3) Transactions requiring special approvals pursuant to Section 270(1) of the Companies Act, provided that this is an exceptional transaction:

See Regulation 22 above.

(4) Exemption, insurance or indemnity obligation, to an officer in force on the date of the report:

See Regulation 22 above as well as Section 8.3 of the Company's prospectus, in which the information stated in this report is presented by manner of reference.

Date: March 29, 2022

O.Y. Nofar Energy Ltd.

Via:

Ofer Yanai, Chairman of the Board of Directors
Nadav Tenne, CEO





Part E

Report on the effectiveness of
internal control over financial
reporting and disclosure



1. Report regarding the internal control of financial reporting and disclosure:

(a) Annual report regarding the effectiveness of internal control over financial reporting and disclosure under Regulation 9b(a):

The management, under the supervision of the Board of Directors of O.Y. Nofar Energy Ltd. (hereinafter the "**Corporation**"), is responsible for determining and maintaining adequate internal control over the Corporation's financial reporting and disclosure.

In this regard, the members of the Management are:

1. Nadav Tenne, CEO
2. Noam Fisher, CFO
3. Ayana Wexler, VP of Legal Affairs

Internal control over financial reporting and disclosure includes existing controls and procedures in the Corporation, designed by or under supervision of the CEO and CFO, or by those who actually perform the aforementioned functions, under the supervision of the Board of Directors. Such actions are designed to provide a reasonable degree of assurance with regard to the reliability of financial reporting and the preparation of reports in accordance with the provisions of law, while ensuring that information which the Corporation is required to disclose in the reports it publishes in accordance with the provisions of law is collected, processed, summarized and reported in a timely manner and in the format prescribed by law.

Internal control includes, inter alia, monitoring and procedures designed to ensure that Corporation information requiring disclosure is gathered and transmitted to the Corporation's management, including to the CEO and CFO or to the person who actually performs the aforementioned functions, so as to enable timely decision-making with regard to disclosure requirements.

Due to its structural limitations, internal control over financial reporting and disclosure is not intended to provide absolute assurance that misrepresentation or omission of information in reports will be prevented or detected.

The management, under the supervision of the Board of Directors, performed an audit and evaluation of the internal control over the Corporation's financial reporting and its disclosure and effectiveness.

The evaluation of the effectiveness of the internal control over financial reporting and disclosure performed by the management under the supervision of the Board included:

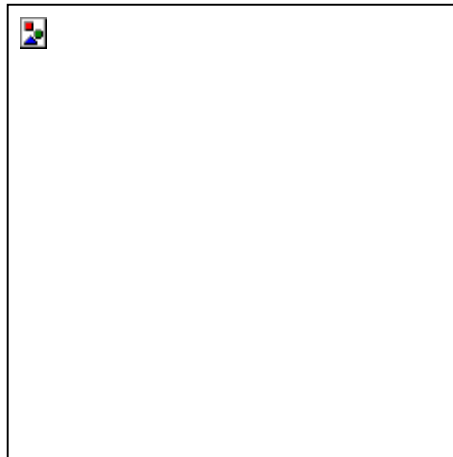
1. Mapping and identifying the accounts and business processes the Company considers significant for financial reporting. The internal control components identified are: (a) organizational controls; (b) the process of editing and completing the reports; (c) general controls

over information systems; and (d) very significant processes for financial reporting and disclosure (project management processes, revenue and investment in affiliated companies).

2. Mapping and documenting existing Corporation controls, which are intended to address reporting and disclosure risks, assessing effectiveness of the planning of controls and analyzing existing control margins, correcting deficiencies in control planning and examining the existence of compensating controls.

3. Evaluating the performance effectiveness of key controls.

Based on the evaluation of the effectiveness performed by the management under the supervision of the Board of Directors as described above, the Board of Directors and the Corporation's management concluded that the internal control over the Corporation's financial reporting and disclosure as of December 31, 2021, is effective.



2. Executive Statements:

(a) CEO's statement pursuant to Regulation 9B(d)(1):

I, Nadav Tenne, hereby declare that:

(1) I have examined the Periodic Report of O.Y. Nofar Energy Ltd. (hereinafter the "**Corporation**") for the year 2021 (hereinafter: the "**Reports**");

(2) To the best of my knowledge, the financial statements do not include any misrepresentation of a material fact and do not lack any representation of a material fact necessary for the representations included therein, in view of the circumstances in which such representations were included, are not misleading with respect to the reporting period;

(3) To the best of my knowledge, the financial statements and other financial information contained in the financial statements adequately reflect, in all material respects, results of operations and cash flows of the Corporation, for the dates and periods to which the reports relate.

(4) I have disclosed to the Corporate Auditor, the Board of Directors and the Audit Committee and the financial statements of the Corporation's Board of Directors, based on my most recent assessment of the internal control of financial reporting and disclosure:

(a) Any significant deficiencies and material weaknesses in the determination or operation of the internal control over financial reporting and disclosure that may reasonably adversely affect the ability of the Corporation to collect, process, summarize or report financial information in a manner that may cast doubt regarding the reliability of financial reporting and preparation of financial statements in accordance with the provisions of law, and

(b) any fraud, whether material or immaterial, in which the CEO or any direct subordinates or other employees involved, who have a significant role in the internal control over financial reporting and disclosure.

(5) I, alone, or together with others in the Corporation:

(A) Have established controls and procedures, or have verified the determination and existence of controls and procedures under my supervision, designed to ensure that material information relating to the Corporation, including its subsidiaries as defined in the Securities Regulations (Annual Financial Statements), 5770-2010, is brought to my attention by others in the Corporation and its subsidiaries, in particular during the preparation period of the reports, and

(B) have established controls and procedures, or have verified the establishment of controls and procedures under my supervision, designed to reasonably ensure the reliability of financial reporting and preparation of financial statements in accordance with the provisions of law, including in accordance with generally accepted accounting principles.

(C) I have evaluated the effectiveness of internal control over financial reporting and disclosure, and presented in this report the conclusions of the Board of Directors and Management regarding the effectiveness of such internal control as stated at the date of the reports.

Nothing in the foregoing shall derogate from my liability or the liability of any other person, under any law.

March 29, 2022

Nadav Tenne, CEO



(b) Statement of the CFO pursuant to Regulation 9B (d) (2):

I, Noam Fischer, hereby declare that:

(1) I have examined the financial statements and other financial information included in the financial statements of O.Y. Nofar Energy Ltd. (hereinafter the "**Corporation**") for the year 2021 (hereinafter - the "**Reports**")

(2) To the best of my knowledge, the financial statements do not include any misrepresentation of a material fact and do not lack any representation of a material fact necessary for the representations included therein, in view of the circumstances in which such representations were included and are not misleading with respect to the reporting period.

(3) To the best of my knowledge, the financial statements and other financial information contained in the financial statements adequately reflect, in all material respects, the financial position, results of operations and cash flows of the Corporation for the dates and periods to which the financial statements relate.

(4) I have disclosed to the Corporate Auditor, the Board of Directors and the Audit Committee and the financial statements of the Corporation's Board of Directors, based on my most recent assessment of the internal control of financial reporting and disclosure:

(a) Any significant deficiencies and material weaknesses in the determination or operation of the internal control over financial reporting and disclosure that may reasonably adversely affect the ability of the Corporation to collect, process, summarize or report financial information in a manner that may cast doubt regarding the reliability of financial reporting and preparation of financial statements in accordance with the provisions of law, and

(b) any fraud, whether material or immaterial, in which the CEO or any direct subordinates or other employees involved who have a significant role in the internal control over financial reporting and disclosure.

(5) I, alone, or together with others in the Corporation:

(a) have established controls and procedures, or have verified the determination and existence of controls and procedures under my supervision, designed to ensure that material information relating to the Corporation, including its subsidiaries as defined in the Securities (Annual Financial Statements) Regulations, 5770-2010, is brought to my attention by others in the Corporation and its subsidiaries, in particular during the preparation period of the reports, and

(b) have established controls and procedures, or verified the establishment and existence of controls and procedures under our supervision, designed to reasonably ensure the reliability of financial reporting and preparation of the financial statements in accordance with the provisions of law, including in accordance with generally accepted accounting principles.

(c) I have evaluated the effectiveness of the internal control over financial reporting and disclosure, insofar as it relates to the financial statements and the other financial information contained in the reports as of the date of the statements. My conclusions regarding my assessment as aforementioned have been brought before the Board of Directors and the management and are incorporated in this report.

Nothing in the foregoing derogates from my liability or the liability of any other person under any law.

March 29, 2022

Noam Fisher, CFO

