Part A

Description of the General Development of the Company's Business

Chapter A - Description of the Company's Business as of 2022

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

1.1 Definitions

For the sake of convenience, below are definitions of central terms appearing in this chapter:

Term	Description
"Enova Energy"	Nofar Milgam Energy, Limited Partnership, a corporation 50% owned by the Company, which is engaged in the production and sale of electricity, through renewable energies, energy storage systems, and electricity supply in the public sector, as well as installing and operating charging stations for electric vehicles itself and through Milgam EV Edge.
"Regulation"	Regulatory regulations of the Electricity Authority to generate and sell electricity for the purpose of feeding it into the distribution grid, and for the benefit of the electricity consumers' self-use, as applicable.
"Controlling Shareholder"	Mr. Ofer Yannay.
"Stock Exchange"	The Tel Aviv Stock Exchange Ltd.
"Annual Report for 2020"	The periodic report for 2020, which was published on the MAGNA system on March 30, 2021 (reference no.: 2021-01-049992).
"Annual Report for 2021"	The periodic report for 2021, which was published on the MAGNA system on March 29, 2022 (reference no.: 2022-01-031419).
The "Company"	O.Y. Nofar Energy Ltd.
"EPC Agreement," "EPC" or "Construction Agreement"	Engineering, Procurement and Construction Agreement - a contracting agreement for licensing, design and construction of a facility for the production or storage of electricity and systems for charging vehicles, which regulates the relationship between the construction contractor, on the one hand, and the owners of the facility, on the other.
"O&M Agreement," "O&M" or "Operation Agreement"	Operation & Maintenance Agreement - a maintenance and operation agreement for an electricity production or storage 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 installations, unless otherwise specified, the panel capacities (in DC[1] terms) in relation to electricity storage systems. Unless otherwise specified, the system capacities are in MWh.
"Project Company," "Project Corporation" or, for a corporation held jointly with a third party -	A corporation that is the direct owner of the electricity production system, the electricity storage and/or the charging station held by the Company directly or indirectly, alone or in collaboration with third parties, as the case may be.

Term	Description
also the “Joint Project Corporation”	
The “Group Companies” or the “Group”	The Company and the corporations held by it directly and indirectly, including together with third parties.
“The Companies Law”	The Companies Law, 5759-1999.
The “Securities Law”	The Securities Law, 5728-1968.
“Electricity Sector Law”	Electricity Sector Law, 5756-1996.
“IEC” or “Electric Company”	Israel Electric Corporation Ltd.
“Water Reservoir,” “Reservoirs” or “Reservoirs”	Water reservoirs and fish pools.
“Report Date”	March 30, 2023.
“Electricity Distributor(s)” or “Historical Electricity Distributor(s)”	A body such as local councils, villages, kibbutzim, moshavim, community settlements or other settlements, which owns rights in the land used for it as a place of consumption and owns rights in the electricity infrastructure it uses to distribute electricity to its residents. It carries out, without licenses, the activity of distribution and supply of electricity to domestic consumers who have personal meters in its distribution area.
“Meteo-Logic”	Meteo-Logic Ltd., a corporation held by the Company at a rate of about 5% that deals in electricity shortfalls, spot on natural gas and green certificates based on an AI-based algorithm that makes trading decisions based on weather forecasts, demand and supply.
“Milgam EV Edge”	Milgam EV Edge Limited Partnership, a corporation owned 47.5% by Enova Energy, which is engaged in the field of vehicle charging in the public sector.
“System,” “Systems,” “Project,” “Projects,” “Facility” or “Facilities”	Solar systems for producing electricity using photovoltaic technology, systems for storing electricity and systems for charging vehicles, as appropriate.
“Systems in Commercial Operation”	Systems whose construction has been completed and the electricity produced or stored in them is fed into the relevant electricity grid.
“Systems Under Construction and Nearing Construction”	Systems that are under construction works or in advanced planning and licensing procedures in preparation for construction that are expected to begin construction in the next twelve (12) months.
“Licensed Systems” or “Systems Under Advanced Development”	(a) Systems that received a quota or were registered for relevant regulation that has no risk of not receiving a quota, and which are in planning and licensing procedures, (b) Solar systems on roofs that are expected to be ready to build within 15 months, and (c) land systems or storage systems that are expected to be ready to build within 24 months.
“Systems Under Development”	Systems that are in various stages of development (and which are not systems under construction, in preparation for construction or advanced development).

Term	Description
"Storage Systems" or "Electricity Storage Systems"	Battery Energy Storage Systems
"Systems Ready to Connect"	Systems whose physical construction phase has been fully completed or for which a connection request has been submitted, but 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]
"Tariff Systems"	Photovoltaic systems that operate under tariff regulations[3], with a fixed rate for the electricity produced by them and fed to the distribution grid for a specified period.
"Noy-Nofar Europe"	Noy-Nofar Renewable Energies Europe, Limited Partnership, which is 47.5% held by Noy Fund and 52.5% by the Company.
"Nofar Europe"	Nofar Europe BV, a corporation 90% owned by the Company indirectly.
"Noy Fund"	Noy Fund 3 for Investment in Infrastructure and Energy, Limited Partnership, and Noy Fund 4 for Investment in Infrastructures and Energy, Limited Partnership. For details, see Section 3.3 of Chapter 3 of the Company's Prospectus, included in this report by way of reference.
"ILA"	Israel Lands Authority.
"Electricity Authority"	The Authority for Public Services - Electricity, which is a body responsible for regulating the electricity sector in Israel.
"Transmission Grid"	The system responsible for the transmission of the electricity produced in various production units at ultra-high voltage, to switching stations and substations[4] deployed around the world.
"Distribution Grid"	A system responsible for the distribution of electricity from the substations to the consumers through high voltage lines, low voltage lines and distribution transformers.
"Company Prospectus"	Supplementary Prospectus published by the Company on December 8, 2020, dated December 9, 2020, reference number 2020-01-133446.
"Andromeda"	Andromeda Solutions Korlátolt Felelősségű Társa, 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, which is engaged in the development of battery electricity storage projects in the UK.
"AC"	Alternating voltage, present in the electricity grid (the distribution grid and the transmission grid).

2 For details regarding the net meter arrangement, see Section 1.1.1.11.1.1.1 below.
3 For details regarding the tariff arrangement, see Section 1.1.1.1 below.
4 Substations and switching stations are facilities that connect electricity grids and in which a process of converting the electric voltage from extra high voltage (400 kV) to extra high voltage (161 kV) or from extra high voltage (161 kV) to high voltage (33 or 24 kV).

Term	Description
"Blue Sky" or "BSU"	Blue Sky Holding LLC and Blue Sky Utility Holding LLC, corporations engaged in the initiation of solar projects and storage projects mainly on commercial centers in the US, 67% indirectly held by the Company, including their subsidiaries.
"DC"	Direct voltage, present at the output from the solar panels. It should be noted that DC terms are used in the Report since the income from the sale of electricity is derived from the power of the panels which are at DC voltage.
"Electrum Nofar"	Electrum Nofar Energy sp. Z oo, a corporation held 80% by Nofar Europe and 20% by Electrum SP. Z OO, which engages in initiating solar systems and wind projects in Poland, including its subsidiaries.
"Nofar USA"	Nofar USA LLC, a corporation indirectly held 100% by the Company.
"Nofar Energy SRL"	Nofar Energy SRL, a corporation operating in Romania that is fully owned by the Company.
"Noventum"	Noventum Power Limited, a corporation 80% indirectly held by the Company and 20% by a third party which is a private company engaged in the initiation of solar projects and wind projects in the United Kingdom.
"Ratesti"	Ratesti Solar Plant SRL, a corporation held 50% by the Company and 50% by Econergy International Ltd.
"Sunprime"	Sunprime Holdings SRL, which is 55% held by Andromeda (and for which Andromeda has an option to increase its holding to 60%), including its subsidiaries.

It should be noted that the Description of the Corporation's Business relates to a period that begins two years before January 1 of 2023 (not three), since five years have not yet passed since the Company became a reporting corporation, and in the three years preceding the Report, the controlling shareholder was not convicted nor was he prohibited from serving as a director of a public company.

1.2 Activity of the Company and Description of the Development of its Business

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 listing for trade of its shares on the stock exchange. As of the same date, the Company has been a public company (as this term is defined in the Companies Law).

The Company is engaged, itself and through corporations held thereby, directly and indirectly, including in cooperation with third parties, in long-term development and investment activity of production systems of "clean" electricity from solar energy, systems for storing electricity in batteries in Israel, the USA and Europe, as well as in the construction (EPC), operation and maintenance (O&M) of photovoltaic systems and storage systems in Israel and vehicle charging stations, mainly for corporations held by it, including in collaboration with third parties.

The Company's activity is based on creating collaborations with local developers abroad, kibbutzim or real estate companies in Israel, to establish a joint corporation which is held by the Company and the Partner (as defined below) in parts, as agreed by the parties. In Israel, the collaborations are with kibbutzim or real estate companies that own land or suitable sites for the establishment of the corporations, and abroad, the collaborations are mainly with local developers who have knowledge, experience and the ability to locate deals, establish the projects and execute them.

In addition, Israel, the Company is also an EPC contractor and maintenance contractor for most of the projects, and operates along the entire value chain of the construction of the systems, which gives the Company knowledge, experience and reputation, allowing the Company to supervise the planning, construction and maintenance of the projects and initiate projects that include the use of unique technologies (such as floating systems, storage facilities, etc.), which leaves the Company and its partners in the projects with a significant share of the profit arising from the initiation of the project, and contributes to the advancement of the systems owned by the group companies in a relatively quick period of time and to the fact that these systems are designed and maintained in an optimal and efficient manner.

1.2.2 Structure of the Company's activity

As of the Report Date, the Group's activity in the field of renewable energy is divided into three areas of activity:

1.2.2.1 Initiation and investment in Israel - The Company engages, on its own and through corporations held by it, in the activity of initiation and holding of systems for generating electricity from solar energy in Israel, on roofs, water reservoirs and land, and systems for storing electricity in batteries, with the aim of holding them for the long term (hereinafter: the "**Field of Initiation and Investment in Israel**").

As of the Report Date, most of the activity in this area is carried out through associates, which own hundreds of solar systems and storage systems in commercial operation, which produce and sell electricity to private consumers, electricity distributors or an electricity company. In addition, within the Field of Initiation and Investment in Israel, the Company, together with its partners, engages in the initiation of hundreds of solar systems and battery storage systems.

For additional details regarding the Group's activity in the field of development and investment in Israel, see Section 3.1 below.

1.2.2.2 Construction and operation in Israel - The Group engages in construction (EPC), operation and maintenance (O&M) of solar systems and storage systems held by the Company in collaboration with third parties (through the joint project corporations) and systems held by the Company (directly and through wholly owned corporations) as part of the Company's activities in the Field of Initiation and Investment in Israel (hereinafter: the "**Field of Construction and Operation**").

For additional details regarding the Group's activity in the field of construction and operation, see Section 3.2 below.

1.2.2.3 Initiating and investing in renewable energies abroad - The Group engages in the initiation, development, establishment, financing, management, operation and holding of systems for generating electricity from solar energy, systems for generating electricity from wind energy and systems for storing electricity in batteries, with the aim of holding them long-term in the USA, Poland, Great Britain, Spain, Italy, Romania, Serbia, Czech Republic and Greece. In addition, the Company is constantly considering entering additional territories and establishing additional development platforms around the world.

For additional details regarding the Group's activity in the field of development and investment in renewable energy abroad, see Section 3.3 below.

1.2.2.4 Investments that do not amount to a field of activity – In addition, the Group has a number of investments that do not amount to an overall field of activity, including holdings of 50% in Enova Energy (which also owns 50% of Milgam EV Edge) as well as holdings of about 5% in Meteo-logic.

For additional details regarding Enova Energy and Meteo-logic, see Section 4.4 below.

1.2.3 Development of activity of the Company and Group companies

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

Below is a table that summarizes the projects held and promoted by the Group Companies, divided by country and project status:

Solar and Wind Systems

		Israel		Spain	Italy	Romania[4]		USA	Poland		UK	Total
	Accounting treatment	Associated companies[1]	Subsidiaries[2]	Subsidiaries[3]	Associated companies[3]	Associated companies	Subsidiaries	Subsidiaries	Associated companies	Subsidiaries	Subsidiaries	
Systems in commercial operation and ready to connect	**Supply in MW**	287.3	25.6	324	46.7	154.7	---	14.6	---	---	---	852.9
	Average holding rate (*)	33%	100%	49%	29%	50%	---	67%	---	---	---	44.3%
Systems under construction and nearing construction	**Supply in MW**	49	0.5	83	157.6	---	627	58.4	40.7	40	---	1056
	Average holding rate (*)	40%	100%	47%	29%	---	85%	67%	72%	90%	---	70%
Systems in advanced development	**Supply in MW**	165.9	1.2	---	270.5	---	---	48.2	270	138.2	---	894.1
	Average holding rate (*)	41%	75%	---	29%	---	---	67%	68%	90%	---	54.4%
Systems under development	**Supply in MW**	612.6	26	351	---	---	---	236.9	100	---	543	1653.5
	Average holding rate (*)	32%	50%	47	---	---	---	67%	72%	---	80%	57%

Storage systems

	Accounting treatment	Israel	UK[4]	Poland	Spain	USA	Greece[4]	Total
		Associated companies[1]	Subsidiaries	Subsidiaries	Subsidiaries[3]	Subsidiaries	Subsidiaries	
Systems in commercial operation and ready to connect	**Supply in MWh**	21.2	---	---	---	---	---	21.2
	Average holding rate (*)	27.9%	---	--	---	---	---	27.9%
Systems under construction and nearing construction	**Supply in MWh**	213.5	758	---	---	---	---	971.5
	Average holding rate (*)	28.2%	75%	--	--	--	--	64.7%
Systems in advanced development	**Supply in MWh**	602.9	260	--	--	--	--	862.9
	Average holding rate (*)	34%	75%	--	--	--	--	46.4%
Systems under development	**Supply in MWh**	--	--	1,400	280	165	400	2,245
	Average holding rate (*)	--	--	72%	48.3%	67%	100%	73.7%

(*) The holding rate is calculated according to the multiples method as a weighted average, indirectly, as of the Report Date in relation to the holding rates and system capacities.

(1) The associates are the project corporations that own the systems. These corporations are incorporated as companies, cooperative agricultural associations, or limited partnerships. As of the Report Date, the Company owns dozens of corporations that own projects in the stages of development, licensing, in preparation for construction, construction or commercial operation.

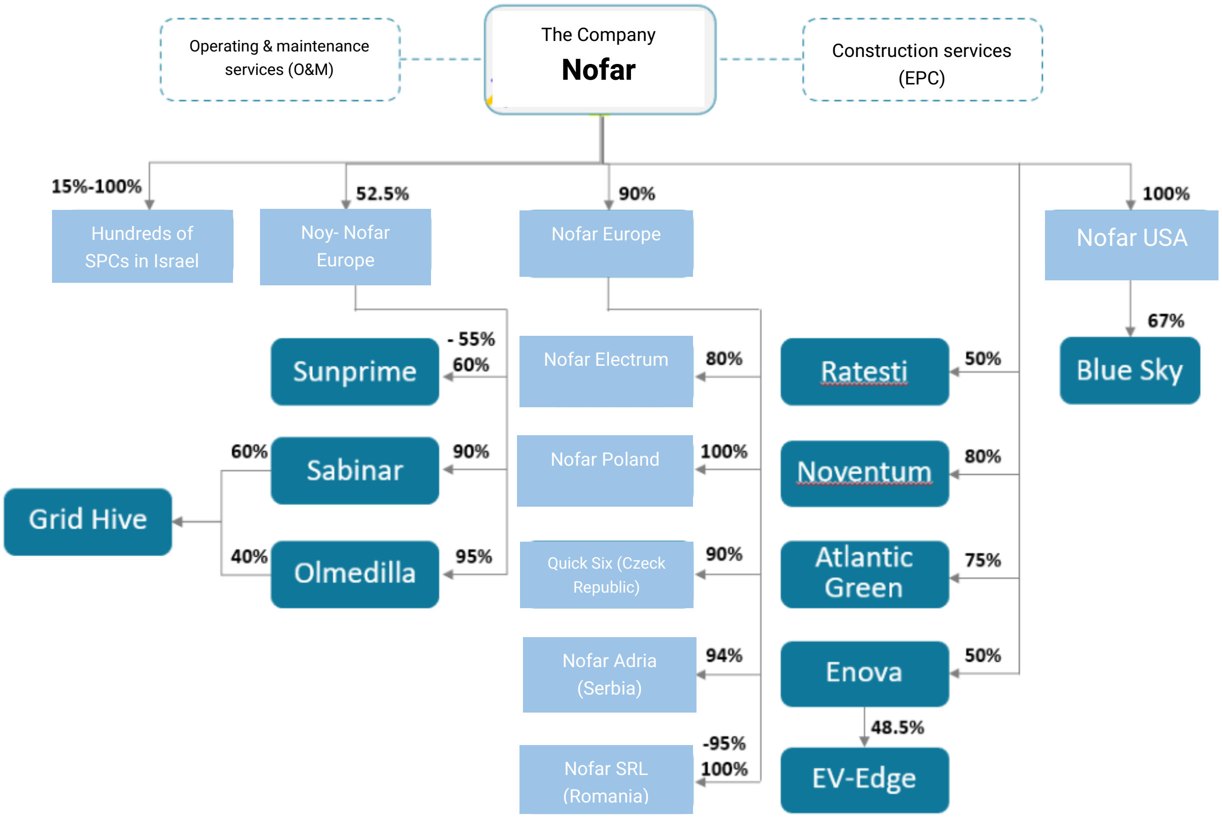
(2) Some of the systems are held by the Company and some through project corporations (limited liability company or limited partnership) that are fully owned by the Company. It should be noted that in relation to some of these systems, the landowner has the right to purchase the rights in the project. For details, see Section 3.1.1 below.

(3) The projects are held through Noy-Nofar Europe. The rest of the rights in Noy-Nofar Europe and its general partner (47.5%) are held by the Noy Fund.

(4) The projects in Poland (with a capacity of approximately 178 MW), the projects in Romania (with the exception of the Ratesti project with a capacity of 155 MW), a storage project in the United Kingdom (with a capacity of approximately 260 MWh) as well as the storage project in Greece (with an estimated capacity of about 200 megawatt hours) are projects for which the Company entered into a binding agreement for their purchase when they reached the Ready to Build stage, and at this time, their purchase has not yet been completed.

For additional details regarding the projects, see Section 1.4 of the Board of Directors' Report.

1.2.4 Main chart of the Group's holdings structure [1]



[1] The diagram is schematic, reflects the structure of holdings in the Company's investee corporations as of the Report Date, does not include a detailed description of holdings in relation to each project corporation and does not include inactive corporations or holding corporations.

1.3 Investments in the capital of the Company and transactions in its shares

Below are details regarding investments in the Company's capital and transactions with its shares that were carried out, outside the stock exchange in 2021 until the Report Date:

Identity of the investor	Manner of execution of transaction	Transaction date[5]	Number of shares allotted/sold	Price per share (in NIS)	Consideration received (in NIS)	Company value derived from the consideration (in NIS millions)
Altshuler Shaham Pension and Provident Ltd.[1]	Private placement	October 27, 2021	2,790,958	71.7	200,000,050	2,594
Phoenix Insurance Company Ltd.[6]			2,612,623		187,221,209	
Migdal Holdings Insurance and Finance Ltd.			500,000		35,830,000	
Y.D. More Investments Ltd.[6]			1,283,126		91,948,810	
Safra Fund [6]			418,643		29,999,957	
Hetzavim Fund [6]			139,548		10,000,011	
Trustee for the Company's employees[2]	Allocation of options to employees and officers of the Company	December 29, 2021	683,824 options convertible to shares of the Company	---	---	---
Sale of shares of Noy Funds to Meitav Dash[3]	Sale of the Company's shares	September 5, 2022	996,016	100.4	100,000,006	3,378

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

1 For additional details, see immediate reports published by the Company on October 25, 2021 (reference no.: 2021-01-090994), and October 27, 2021 (reference no.: 2021-01-091786) which is included in this Report by way of reference.

2 For additional details, see the immediate reports published by the Company on July 22, 2021 (reference no.: 2021-01-056968), and December 30, 2021 (reference no.: 2021-01-187158) which is included in this Report by way of reference. It should be noted that, to the best of the Company's knowledge, as part of the share sale agreement, Noy 3 for Investment in Infrastructure and Energy, Limited Partnership, undertook vis-a-vis Meitav Dash Provident and Pension Ltd., Meitav Portfolio Management Ltd. and Meitav Investment House Ltd. (to the best of the Company's knowledge, upon completion of the deal, Meitav will become an interested party in the Company) that during the six months beginning on the date of the sale of the shares (that is, until March 5, 2023), it will not carry out any transaction for the sale of the Company's shares, either in a transaction on the stock exchange or in a transaction outside the stock exchange, and also that during 12 months from the date of the sale of the shares, it will not sell shares of the Company for consideration that reflects a price per share equal to or lower than NIS 110 per share.

3 For additional details, see the immediate report published by the Company on September 6, 2022 (reference no.: 2022-01-092583), which is included in this Report by way of reference. It should be noted that to the best of the Company's knowledge, Mr. Gershon Shahar granted Meitav Investment House an option to purchase from him, by March 2025, 213,268 additional shares at a price of NIS 108.1 per share.

Identity of the investor	Manner of execution of transaction	Transaction date[5]	Number of shares allotted/sold	Price per share (in NIS)	Consideration received (in NIS)	Company value derived from the consideration (in NIS millions)
The sale of shares by Mr. Shahar Gershon to Meitav Investment House[4]	Sale of the Company's shares	September 14, 2022	231,268	108.1	25,000,070	3,637
Trustee for the Company's employees[5]	Allocation of options to employees and officers of the Company	October 6, 2022	135.986 options convertible to shares of the Company	---	---	---

1.4 Distribution of Dividends

1.4.1 In the two years preceding the Report Date, no dividends were distributed by the Company.

1.4.2 As of December 31, 2022, the Company has a negative profit balance of approximately NIS 68,553 thousand. Therefore, the Company does not have a distributable profit balance.

1.4.3 Some of the contract documents with the Company's banks include a prohibition on dividend distribution without the bank's approval (for details, see Section 4.5.1 below). In addition, the Company has a commitment to comply with financial benchmarks (as specified in Section 4.5) that limit the Company's ability to distribute a dividend to its shareholders. Also, as part of the trust deed signed in connection with the issuance of the Bonds (Series A), the Company undertook that until the final repayment of the Bonds, making a distribution will be subject to the fulfillment of the conditions set forth in the trust deed (that the equity will not be less than NIS 550 million, the ratio between solo equity and solo total balance sheet will not be less than 35%, starting from December 2023 the ratio between consolidated net financial debt and EBITDA will not exceed 15, that the amount of the distribution will not exceed 50% of the Company's net profit that will be generated starting from June 30, 2021, that there are not grounds to call the Bonds for immediate repayment, there are no warning

[4] For additional details, see the immediate report published by the Company on September 15, 2022 (reference no.: 2023-01-016849), which is included in this Report by way of reference.

[5] For additional details, see the immediate reports published by the Company on September 7, 2022 (reference no.: 2022-01-092988), September 21, 2022 (reference no.: 2022-01-097104), and October 6, 2022 (reference no.: 2022-01-125335), which are included in this Report by way of reference.

signs 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).

In addition to the aforementioned, it should 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 below). Also, the financing agreements entered into by the Group Companies include obligations to meet financial standards that actually limit the Company's ability to distribute dividends, as well as various limitations in relation to dividend distribution and making payments to their shareholders, including to the Company (such as keeping appropriate deposits/reserves and limiting the amount of annual distributions).

With the exception of the above, and with the exception of the limitations established by law, no additional limitations apply to the distribution of dividends by the Company.

2. Part Two - Other Information

2.1 Financial Information regarding Areas of Activity

Below is the financial data of the Company, divided into areas of activity, for the years 2021 and 2022 (all of the data is included in NIS thousands). Unless explicitly stated otherwise, the data in the report are based on the Company's financial statements:

	2022					2021				
	Field of Initiation & Investment in Israel [1]	Field of Construction & Operation in Israel	The field of Initiation & Investment Abroad [2]	Adjustments to the Financial Statements	Financial Statements	Field of Initiation & Investment in Israel [1]	Field of Construction & Operation in Israel	Field of Initiation & Investment Abroad [2]	Adjustments to the Financial Statements	Financial Statements
Income from external	56,077	14,879	36,470	(51,758)	55,668	35,394	12,524	2,355	(27,874)	22,399
Inter-sector income	---	287,319	---	(1,419)	285,900	---	339,219	---	(856)	338,363
Total revenue	56,077	302,198	36,470	(53,177)	341,568	35,394	351,743	2,355	(28,730)	360,762
Fixed costs arising from external [3]	---	21,569	---	---	21,569		17,649	---	---	17,649
Variable costs arising from externals [3]	7,418	278,701	6,518	(5,612)	287,025	3,273	302,563	33	(2,897)	302,972
Fixed costs that constitute income of another field of activity [3]	---	---	---	---	---	---	---	---	---	---
Variable costs that constitute income of another field of activity [3]	12,642	---	---	(12,642)	---	8,523	---	---	(8,523)	-
Total costs	20,060	300,270	6,518	(18,254)	308,594	11,796	320,212	33	(11,420)	320,621
Profit from ordinary activity	36,017	1,928	29,952	(34,923)	32,974	23,598	31,531	2,322	(17,310)	40,141
Total assets [4]	482,886	1,790,445	2,344,979	---	4,618,310	244,462	294,927	1,628,830	---	2,168,219
Total liabilities[5]	1,117,891	380,605	595,195	---	2,093,691	103,741	89,775	531,280	---	724,796

[1] The results of the Field of Initiation and Investment in Israel reflect, among other things, the Company's share in the results of the activities of the various joint project corporations, according to the Company's indirect rate of holdings in each of them.

In relation to the systems whose operation began during the year of activity - the table includes actual results only, starting from the various dates of operation until the end of the calendar year. For the expected results of the Company's systems in commercial operation for a full year of operation, see Section 3.1.1.2.2 below.

[2] The Field of Initiation and Investment Abroad includes the Blue Sky activity, the Noy-Nofar Europe activity and the Company's activity abroad (UK, Poland, Romania, Serbia, Czech Republic and Greece). The results of the field of activity in 2021 include the Blue Sky activity starting from the date of completion of acquisition (July 2021). Also, until December 29, 2022, the Noy-Nofar Europe activities were presented as part of the results section of associates accounted for according to the equity method. As of December 30, 2022 the results of Noy-Nofar Europe are consolidated in the Company's financial statements.

(3) Costs arising from external sources are direct costs only that include external works and materials only.

(4) The total assets of the development and investment sector in Israel and abroad are calculated in accordance with investments in investee corporations that are accounted for according to the equity method, in addition to the value of photovoltaic systems included in the fixed assets section. The rest of the assets in the Company's balance sheet were classified in the Field of Construction and Operation in Israel.

(5) The total liabilities of the Field of Initiation and Investment in Israel and Abroad are calculated in accordance with the liabilities of the Group Companies in respect of these activities. The rest of the liabilities in the Company's balance sheet were classified in the Field of Construction and Operation in Israel.

For the board of directors' explanations of the Company's financial data, see the report of the Company's board of directors attached in Part B of this Report.

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

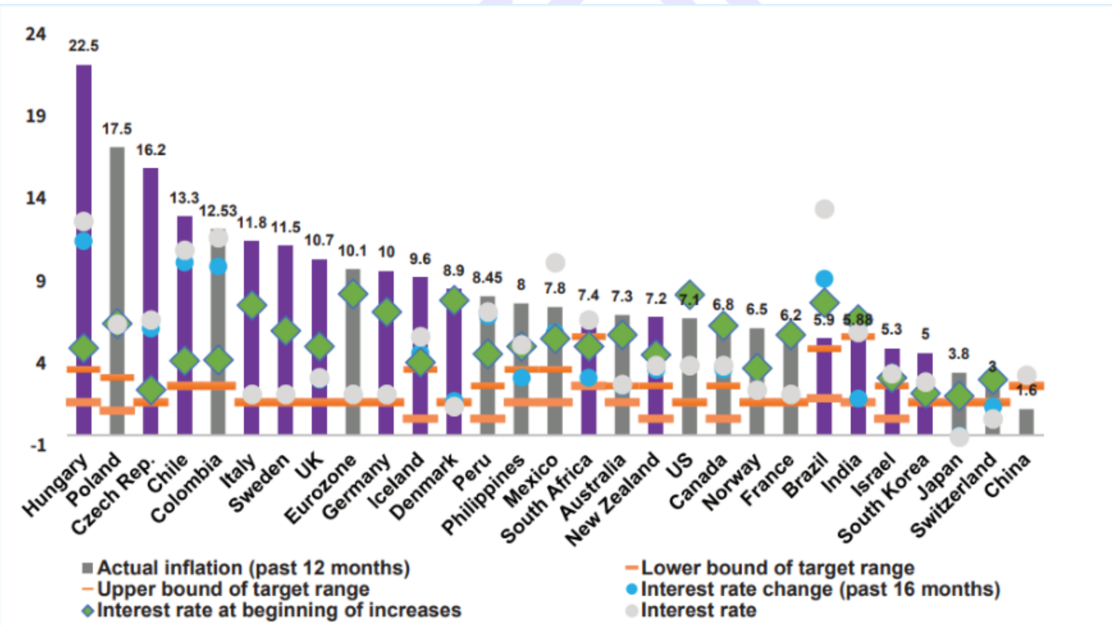
Below is the Company's evaluations regarding trends, events and macro-economic environment developments of the Group, which to the best of the Company's knowledge and estimate, had or are expected to have a material effect on the business results or developments in the Group's activity.

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

2.2.1 General review

The year 2022 was characterized by a slowdown in global economic activity and inflationary pressures against the background of the war in Ukraine that began at the beginning of the year, the energy crisis in Europe, the slowdown in China and continued disruptions in the supply chain caused by the Corona epidemic, which were slightly eased towards the end of the year. The rise in inflation in turn led central banks in the world to raise interest rates during the year.[10]

Below is a chart showing the inflation targets, the actual inflation, and the change in the interest rate of the central bank in Israel and other countries in the world, January 2023[11]:



*Purple indicates countries that announced tapering before 2022.
SOURCE: Based on central bank data.

[10] Bank of Israel, "The Monetary Policy Report for the Second Half of 2022", January 2023.

[11] See footnote 11.

Following these developments, global growth forecasts were revised downwards during the year. However, in parts of the world, and in particular in the US, a certain moderation is evident. For example, the rate of increase in the Consumer Price Index (CPI) in the US decreased in the second half of 2022 from a peak of 9.1% in June to 7.1% in November, and in the Eurozone a slight moderation was observed in the inflation rate, which stood at 10.1% in January 2023, compared to 11.5% in October last year.[12] However, according to estimates, the rise in inflation will continue in the coming year as well.

Following the increase in the rate of inflation and the interest rates of the central banks, during the month of March 2023, a global crisis began to develop in the world of banking, which began with the collapse of the American investment banks Silvergate and Silicon Valley Bank SBV and the purchase of Credit Swiss by UBS after the former had to turn to government assistance in order to preserve the level of liquidity necessary for the proper operation of the bank.[13] At the time of the report, it is not known what the scope of the crisis will be and its effects on the global economy. However, in the Company's estimation, the deepening of the crisis may affect its ability to raise financing and complete projects that are currently in the stages of construction, development or initiation.

As of the Report Date, it is not known when the war in Ukraine will end and if it will cause future consequences that may affect the Company's activities. It should be noted that the continuation of inflation and the increase in interest rates cause an increase in the Company's financing expenses, which affects the yield of the projects and their ability to be established.

In addition, in the Company's estimation, the increase in the inflation rate may cause an increase in the construction costs of the projects. However, during the last few months, the Company has been aware of a certain decrease in the prices of the panels, converters, storage systems, and the prices of the marine transport, after the price increase that characterized the year 2021. In addition, some of the Company's electricity rates in Israel are linked to the consumer price index, and the Company estimates that there is a certain correlation between electricity prices on the open market and the changes in the index (both due to the fact that changes in electricity prices are one of the causes of an increase in inflation, as well as due to the fact that the factors for an increase in inflation also cause an increase in electricity prices and due to the fact that electricity prices in different countries are linked to changes in inflation).

2.2.2 Global energy economy

In the last year, the global energy economy has been in a crisis manifested in the volatility of the market and sharp price increases, especially in gas prices in the European markets. The pressures on the market that began as early as 2021 were exacerbated into a real crisis with the Russian invasion

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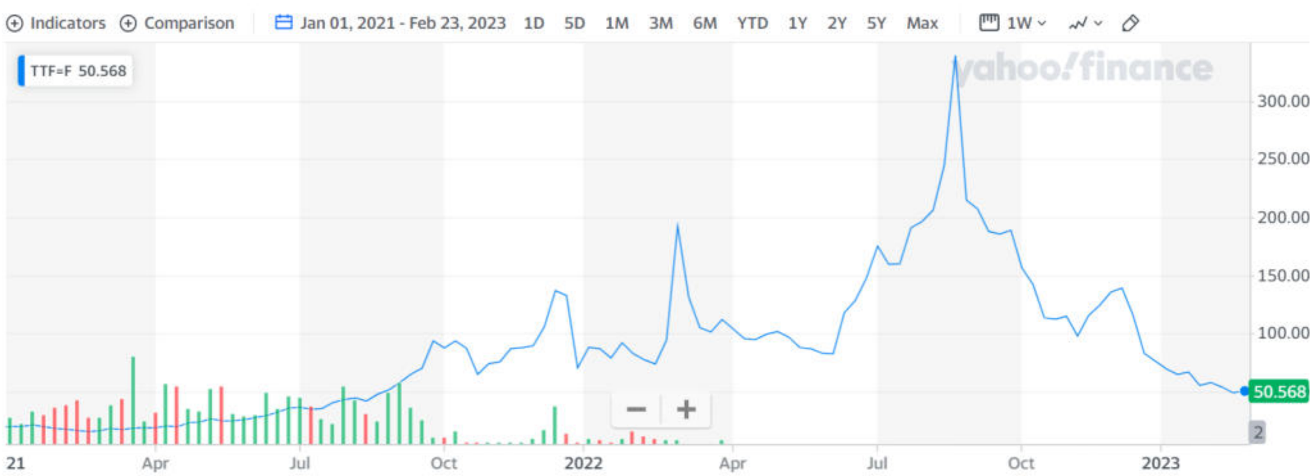
[12] See footnote 11.

[13] https://www.reuters.com/business/finance/how-2023-banking-crisis-unfolded-2023-03-24/

of Ukraine at the beginning of 2022,[14] which led to a shortage of natural gas supply, which until that time was used as a source of about 24% of the total energy consumption in Europe.[15] During this period, there was a sharp and significant increase in the prices of natural gas in Europe, which reached its peak in the summer of 2022 and has moderated since then.

An example of this can be seen in the chart below, which shows the price of natural gas in the Dutch market (TFF) from the largest gas markets (Spot) in Europe from the beginning of 2021 until February 2023:



According to the publications,[16] the main reasons for the sharp increase in natural gas prices in Europe in the first half of 2022 are mainly attributed to: (a) low natural gas stocks in storage facilities in Europe compared to previous years; (b) a decrease in domestic production of natural gas in Europe and reliance on liquefied natural gas (LNG) imports; (c) dependence on natural gas imports from Russia and the Russia-Ukraine war (beginning of 2022); (d) The instability of the winds in the North Sea during the month of November 2021, which contributes to the decrease in the supply of energy from renewable sources.

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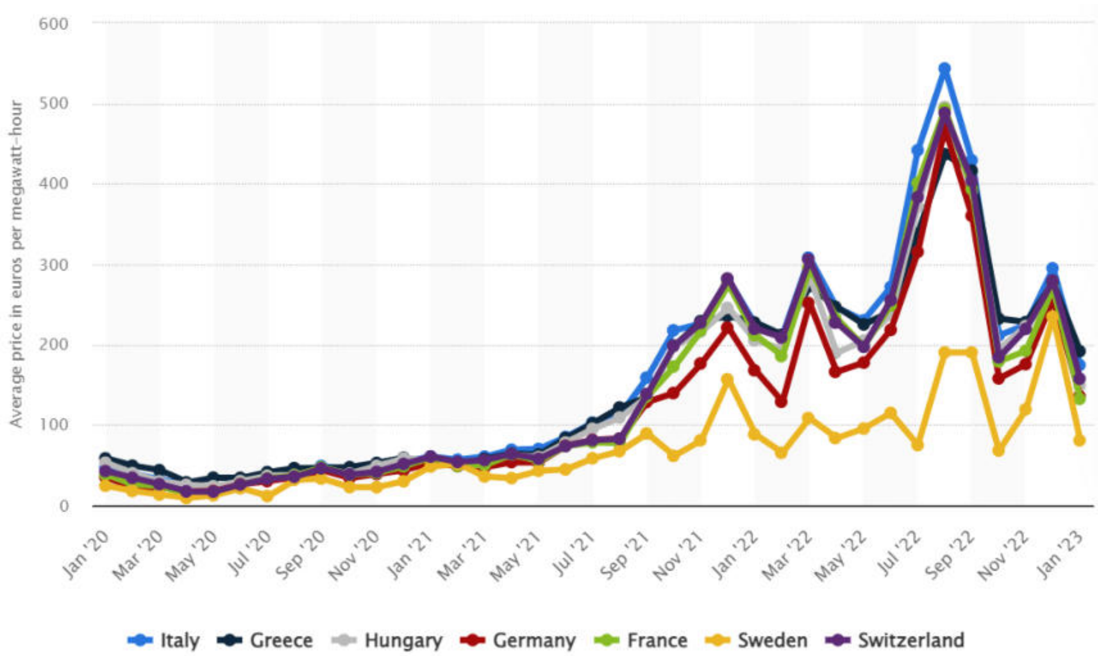
[14] "World Energy Outlook 2022", International Energy Association (IEA), November 2022

[15] The website of the Statistical Office of the European Union.

[16] Ministry of Energy, "Global Energy Economy Crisis 2021", November 2021.

Electricity prices in Europe, and to a lesser extent in the rest of the world, also follow the same trend. The following chart shows the electricity prices in selected European countries (wholesale prices), according to a monthly average from the beginning of 2020 until January 2023:[17]



The policy measures taken in response to the crisis can be divided into measures that focus on the short term and those aimed at long-term change. In the short term, most countries of the world focused on maintaining energy security in terms of energy supply and price for end consumers, even when this came at the expense of a temporary increase in the level of greenhouse gas emissions.

As of September 2021, over USD 550 billion have been invested, mainly in Europe, in government intervention aimed at protecting end consumers from rising energy prices. In the countries promoting long-term measures, most of the measures focused (and focus) on encouraging and accelerating the transition to renewable energies. An example of this type of step is the raising of the renewable energy and energy efficiency targets of the European Union, alongside the investment of significant budgets on the part of the Union to promote these goals and the expansion of the Inflation Reduction Act, which promotes clean energy while investing approximately USD 370 billion in the USA.[18]

At the same time, in October 2022, the European Union approved temporary regulations (Council Regulation (EU) No. 2022/1854) for the treatment of energy prices, within which it was determined that the member states of the European Union will establish temporary regulations with the aim of reducing electricity consumption and reducing electricity prices. Within the Council Regulation No.

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17 "Average monthly electricity wholesale prices in selected countries in the European Union (EU) from January 2020 to January 2023", Statista.

18 See footnote 15 above.

2022/1854, among other things, a maximum price for electricity was proposed (EUR 180 per MWh) until the end of 2023, as well as targets for reducing the volume of consumption (a 5% decrease). In addition, it was proposed that the member states of the Union would use the surplus revenues from limiting electricity prices to support consumers affected by the increase in electricity prices and to reduce the volume of electricity consumption. Based on Council Regulation No. 2022/1854, the member states of the Union were asked to establish provisions regarding the limitation of electricity prices. For details regarding the limitations on electricity sales prices in the various countries, see Section **Error! Reference source not found.**.

2.2.3 Transition to renewable energies

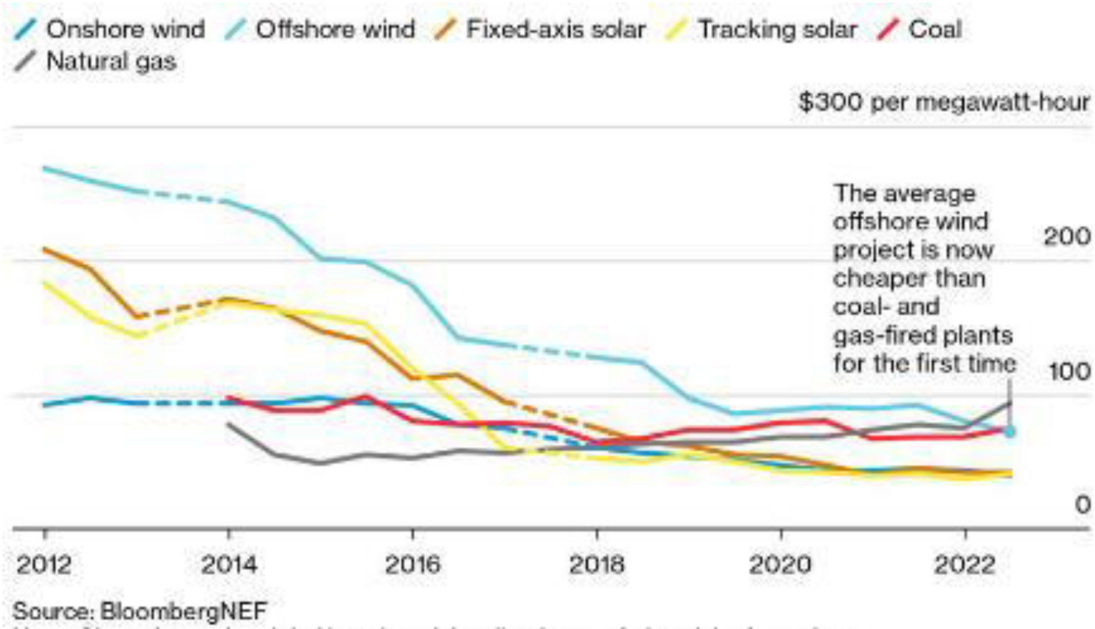
The weight of renewable energies from all the energies that the world consumes has been rising consistently in recent years.

One of the main reasons for this change is the global consensus that a change in the way energy is created is critical for dealing with the climate crisis and reducing greenhouse gas emissions. This consensus is reflected in the fact that more than 140 countries around the world have adopted plans to reduce greenhouse gas emissions and switch to renewable energies.[19] The adoption of these programs led to government support for the development of renewable energies both in terms of regulatory support as well as economic benefits to encourage developers to invest and develop the industry in recent years.

The global energy crisis that intensified during 2022 further accelerated the global transition to renewable energies. Many countries, and in particular countries on the European continent that depended on natural gas from Russia until the outbreak of the crisis, have brought to the agenda the importance of the independence and energy security of each country. The significant decrease in the price of setting up renewable energy systems in the last decade, in particular wind energy and solar energy systems, has led to the fact that electricity from renewables is the cheapest option in most regions of the world. In this context, it can be noted that according to the publications, there was a decrease of about 56% in the cost of kWh of wind energy (onshore) and a decrease of about 85% in the price of kWh of solar energy between the years 2010 and 2020.[20]

[19] International Renewable Energy Agency (IRENA), "World Energy Transitions Outlook", June 2021.
[20] International Renewable Energy Agency (IRENA), "World Energy Transitions Outlook 2022", March 2022.

Below is a chart showing the average price for producing a megawatt of electricity (Levelized cost of electricity, LCOE) over time[21]:

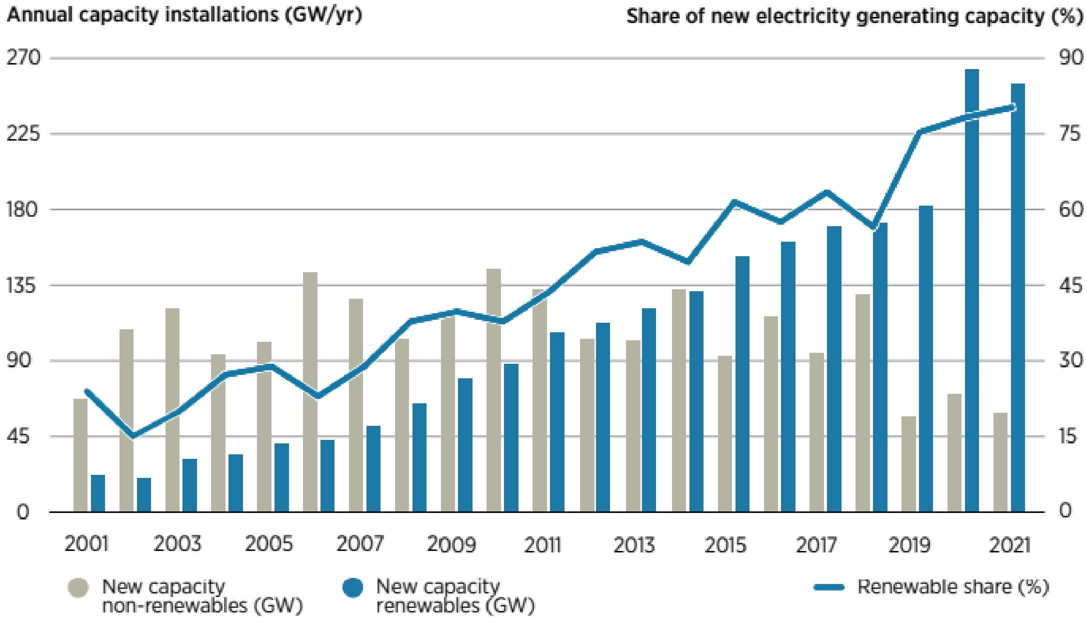


The decrease in the construction costs of renewable energies, combined with the global consensus regarding the need to switch to renewable energies, and the ambition of countries to achieve energy independence led to the fact that in the last decade the capacity of production facilities from renewable energy increased by 130%, compared to an increase of only 24% in the capacity of fuel-based energy production facilities (fossil). However, according to the publications, in 2021 there was a slowdown in the increase in the capacity of the renewable energy facilities, which can probably be attributed to the supply problems that began that year.[22]

[21] "A Year of Breakthroughs and Setbacks for the Race to Net Zero, in Five Charts", Bloomberg BNEF, December 2022.

[22] See footnote 20.

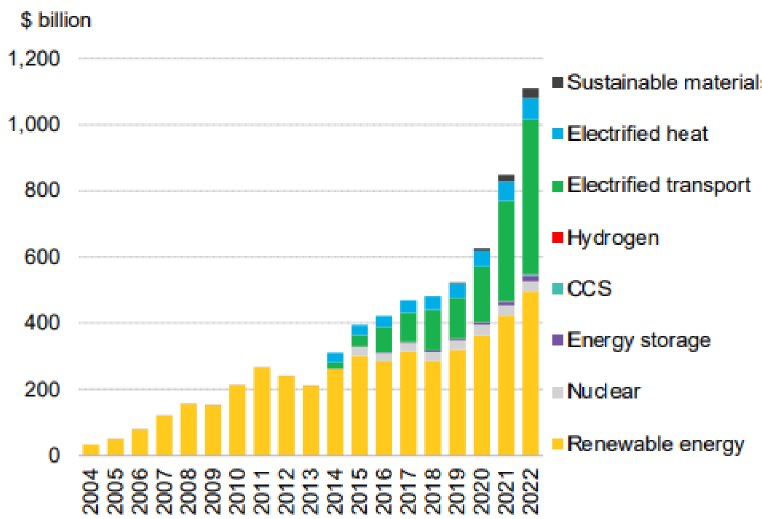
Below is a diagram that shows the rate of connection of renewable energies out of the total connection of new energy sources to the energy grid between the years 2001 and 2021:[23]



The transition to the use of renewable energies requires extensive investments for the purpose of establishing these systems as well as for the purpose of upgrading the electricity infrastructures required for the transmission of electricity from these systems. In this regard, it should be noted that in 2022, approximately USD 1.1 trillion were invested in ventures with low carbon emissions, such as: renewable energies, storage, hydrogen, vehicle charging, including significant fundraising in the capital market (in IPOs, secondary fundraising, SPAC mergers) by high tech companies in the field of climate (Climate-Tech). Despite the growth in the scope of investment in these areas in 2022, the level of annual investment necessary to reach the global Net Zero targets is estimated to be three times this amount by the end of the decade.

[23] See footnote 20.

Below is a chart showing the level of global investment in ventures in the field of the transition to low-emissions energy, by sector over time:[24]



2.2.4 Climate

The outputs of the solar installations (and, as a result, the profitability of the photovoltaic systems) are mainly influenced by the levels of solar radiation and the temperature and atmospheric pressure conditions. Therefore, in the summer months, when the radiation is relatively high and there is not a lot of cloud cover, the output of the solar installations increases, and vice versa.

Excessive cloudiness, sand, humidity, temperatures significantly different from the annual average and weather conditions that are not optimal may reduce the electricity output produced. In addition, environmental events that cannot be predicted, such as floods, sandstorms and earthquakes, may cause the shutdown and destruction of the systems that have been established, thus damaging the project's operating period and their profitability. The variation in the climate in the different countries causes variation in the annual production hours between the countries.

2.2.5 Change to exchange rates

The revenues of the group companies as developers in Israel are in NIS, the construction price of the projects in Israel is denominated in NIS, and a substantial part of the Company's funding sources is in NIS. On the other hand, some of the components of the systems are purchased in foreign currency (mainly dollars, US, euros and sterling) and the Company's investment activities abroad are carried out in foreign currency (euro, dollar, sterling, zloty, krone, lei, etc.). Accordingly, fluctuations in the exchange rates of the relevant currencies may affect both the scope of the Company's sources of

[24] Bloomberg BNEF "Energy Transition Investment Trends 2023", January 2023; https://assets.bbhub.io/professional/sites/24/energy-transition-investment-trends-2023.pdf.

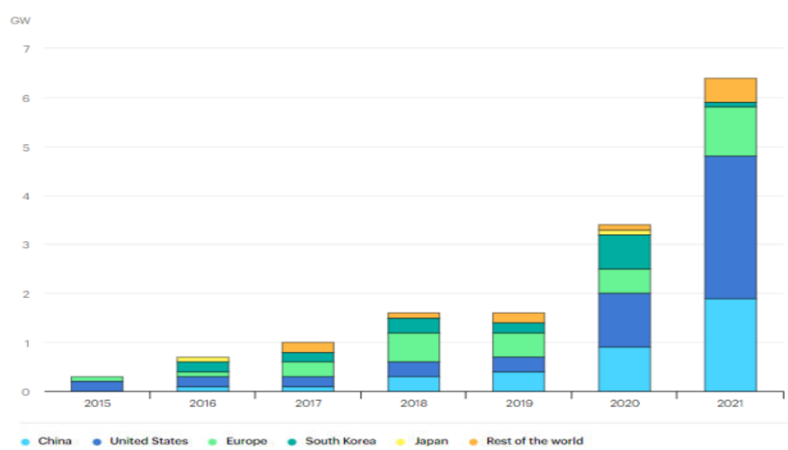
financing in foreign currency, both the results of the construction and maintenance sector, and the rates of return on capital that the Company's projects abroad will generate.

In addition, in light of the fact that some of the Company's assets are in foreign currency, changes in the Company's financial statements have an impact on the Company's balance sheet and profit and loss statement.

2.2.6 Development of the field of electricity storage

The increasing scope of use of renewable energies requires the use of complementary systems - flexible energy supply facilities that will provide security in the electricity supply alongside grid stabilization capabilities for the electricity grid. Accordingly, in recent years, there has been sharp growth in the volumes of electricity storage facilities in the world. According to the publications, the scope of the storage systems installed by the end of 2021 stood at 16 GW, when only in 2021 about 6 GW of projects were added mainly in the USA, China and Europe, which is an increase of 60% compared to 2020. Also, the scope of the global investment in storage systems in 2021 was close to USD 10 billion, with over 70% of it invested in commercial scale systems.

Below is a diagram showing the scope of new annual regulations of storage systems by country in the years 2015-2021:[25]



The continued growth of renewable energies and the goals of reducing greenhouse gas emissions will require extensive investment and continued development of the electricity storage sector. In this regard, the latest estimates refer to the need to install storage systems with an aggregate volume of GW/1143 and GWh387 by the year 2030.[26]

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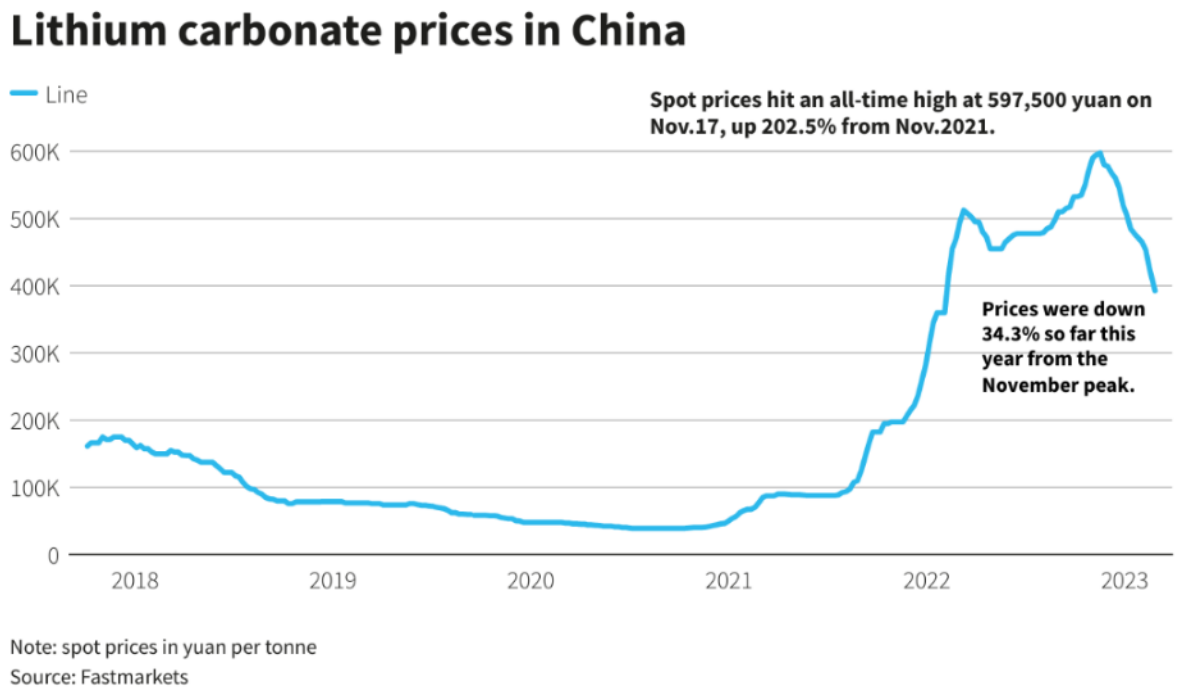
[25] Grid-Scale Storage: Tracking Progress 2022, International Energy Agency (IEA), September 2022.

[26] Global Energy Storage Market to Grow 15-Fold by 2030, Bloomberg BNEF, October 2022.

In the context of this market, it is important to note that the last two years are characterized by new changes in lithium prices, which grew by more than 120% during the year 2022 and decreased by a rate of approximately 34.3% from the beginning of the year 2023, in relation to the record price recorded on November 17, 2021.[27]

Below is a graph showing the fluctuation of lithium prices starting in 2018.[28]



The increase in lithium prices is attributed to the increase in the growing global demand for lithium batteries used for storing electricity and driving electric vehicles.

In the following graph you can see the sharp changes in demand for lithium between 2018 and October 2022[28]:

[27] Why did the price of lithium jump by more than 120% since the beginning of the year?, Calcalist, November 2022; https://www.calcalist.co.il/market/article/hkfhlv9sj; https://www.reuters.com/markets/ commodities/lithium-price-slide-deepens-china-battery-giant-bets-cheaper-inputs-2023-02-28/#:~:text=S%26P%20analysts%20see%20the%20average,are%20forecasting% 20for%20lithium%20carbonate.

[28] "The Great Lithium Boom", Statista, November 2022 ; https://www.statista.com/chart/28037/lithium-carbonate-price-timeline/.

2.2.7 Change to interest rates

During the Report Period, there was an increase in the interest rates carried by some of the loans taken by the Group companies, which are linked to the base interest rate. There was also an increase in the interest rates set by the central banks, which are used as a basis for determining the interest rates taken by the Group Companies, as well as an increase in the interest margins.

These increases affect the financing costs of variable interest loans carried by the Group Companies and also affect the financing costs of projects in the initiation and construction stages for which financing has not yet been taken. In addition, according to the estimates, the increase in interest rates in Israel and abroad will continue during the coming year. Naturally, an increase in interest rates affects the profitability of projects and their ability to be financed.

2.2.8 Increase in inflation

The bonds that the Company issued are linked to the consumer price index. Accordingly, an increase in inflation causes an increase in the Company's financing expenses. In addition, in the Company's estimation, the increase in the inflation rate impacts the Company's financing costs and may cause an increase in the construction costs of the projects.

It this context, it should be noted that during the last few months, the Company has been aware of a certain decrease in the prices of the panels and converters, and the prices of the marine transport, after the price increase that characterized the year 2021. In addition, some of the Company's electricity rates in Israel are linked to the consumer price index, and the Company estimates that there is a certain correlation between electricity prices on the open market and the changes in the index (both due to the fact that changes in electricity prices are one of the causes of an increase in inflation, as well as due to the fact that the factors for an increase in inflation also cause an increase in electricity prices and due to the fact that electricity prices in different countries are linked to changes in inflation).

2.2.9 Potential impact of the Corona virus

During the month of December 2019, the “Corona” virus broke out, first in the city of Wuhan in China, and later around the world. The outbreak “Coronavirus” caused uncertainty in the global economy and economic damage following the shutdown of many businesses, a slowdown in production, slowdown in the processes for the receipt of approvals from the various authorities, a delay and increase in shipping costs and international transport.

It should be noted that following the spread of the virus and the restrictions imposed as a result, the Electricity Authority published decisions and hearings to extend the deadlines for synchronizing and operating photovoltaic systems, among other things, in the competitive procedures, tariff and selection systems in relation to the original deadlines established in the various regulations. These delays reduced (and will continue to reduce) the exposure to the loss of the cover due to non-compliance with schedules for connecting the systems.

The spread of the corona virus, the restrictions and the economic crisis that resulted from them in recent years had an immaterial effect on the Group's activities. The energy sector was defined as an essential sector, and in addition, the planning, establishment, operation and maintenance of the various projects continued, as a rule, as they were, the production of electricity in the existing systems continued as it was, and there was no need to change the agreements for the sale of electricity. However, during the year 2021, there was an increase in transportation prices and solar panel prices in Israel, Europe and the USA, which caused an increase in the costs of building the projects. There was also a delay in the delivery dates of the equipment.

As of the Report Date, it seems that the corona has been forgotten in most parts of the world, and despite a renewed outbreak in China, in light of local policy changes, it does not seem that the virus will spread again to the epidemic proportions that characterized the last few years.

However, naturally, the manner in which the virus will develop and spread cannot be predicted. 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, under the shadow of the fear that the severe restrictions on the economy and movement will return, which may cause delays in the supply of imported equipment and raw materials, difficulty in locating sources of financing, an increase in financing expenses, a decrease in the number of employees, a decrease in electricity prices, restrictions on the Company's activities, a delay in the development of the electricity sector, etc.

The estimations of the Company as stated in this section above is forward-looking information, as this term is defined in the Securities Law, based on the estimates of the management of the Company and its understanding of the factors that impact its business activity, as of the Report Date. These assessments may not materialize, in whole or in part, or materialize differently, including

substantially, than expected, inter alia, as a result of assumptions and analyzes that are not optimal, from the developments that cannot be fully assessed in connection with the crisis, its duration and strength, or the realization of all or part of the risk factors set forth in Section 4.14 below.

3. Part Three - Description of Corporation's Businesses by Area of Activity

3.1 Field of Initiation and Investment in Israel

3.1.1 General information on the field of activity

3.1.1.1 General

The Group's activity in the field of activity is based on a business strategy in which the Company enters into agreements with kibbutzim, industrial companies and real estate-intensive business entities (above and below: the "**Partner**"), to establish a joint-purpose corporation with the Partner, established for the needs of the project, which is (or will be) the owner of electricity generation systems and a storage system, as applicable, established on the Partner's premises (hereinafter respectively: the "**Joint Project Corporation**" and the "**Founders' Agreement**"). The Company brings to the Joint Project Corporation the knowledge, expertise, experience, as well as the ability to initiate, manage, plan and set up the systems, while the Partner provides the Joint Project Corporation the roofs, water reservoirs, buildings or land on which the systems are erected.

Also, sometimes the Company turns to property owners with the proposal that the Company rent the roofs they own from them, build systems on them and sell them and/or the relevant electricity distributor the electricity produced by these systems. In such cases, the Company is the sole owner of the systems. However, in some of these contracts the property owners have the right to acquire rights in the project corporations of the systems established in their territory.

The Joint Project Corporation works to establish solar systems and storage systems, as appropriate, in the Partner's territories (hereinafter: the "**Area of Activity**"), and is held by the Company with final indirect holdings, at a rate of 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 Report Date is about 37% with final indirect holdings[29]). The remaining holdings in the Joint Project Corporation are held by the Partner (or Partners) who owns the roof, the water reservoir, the structure or the land on which the system is built.

The sole activity of the Joint Project Corporation is to initiate, obtain financing, set up and maintain the system (or systems) of the type and size agreed upon between the Company and the Partner.

The type (or types) of the system, as well as the regulation (or regulations), by virtue of which (or by their authority) the systems are established and operate, are determined by the Company and the Partner, in a way that will allow optimal utilization of the roofs, reservoirs, buildings and vacant land,

[29] Calculated according to the system suppliers at the various stages and the holding rates of the Company, directly and indirectly, in the project corporations and the corporations through which the project corporations are held (the multiples method).

the Partner's electricity consumption and use of the regulation (or the regulations) by virtue of which it will be possible to receive the higher rate for the electricity produced in the system.

The actual construction of the projects is carried out, usually[30], through the Company, which enters into a construction agreement (EPC) with the Joint Project Corporation against payment of consideration as specified in Section 3.2below.

The financing of the project in Israel is carried out, for the most part, through senior bank financing (and sometimes through financing from the partners) at a rate of about 80%-90% of the cost of setting up the solar system, provided (as applicable) against a lien on the full assets and rights of the Joint Project Corporation (with the exception of the rights in the real estate), company guarantees of the partners in the Joint Project Corporation (the Company and the Partner), usually in accordance with their share[31], while relying, among other things, on the commitment of the IEC, the historical electricity distributor, the consumer (or consumers) in whose territory the system is established, to purchase all or part of the electricity produced in the system, some at known and fixed rates in advance and for a long period of time, and some in accordance with the tariff rates applicable to the relevant consumer. The balance of the project's financing (at a rate of approximately 10-20%) is provided through equity[32] by the Company and the Partner (usually according to the share of the parties' holdings in the joint ventures and sometimes the Company is required to provide the full equity or equity at a higher rate than the share of its holdings). It should be noted that in recent years, the Company has provided the necessary financing for the establishment of the systems, against an interest rate agreed upon between it and the Partner, when the taking of the financing is carried out by the project company, led by the Company, usually after the construction is completed.

The electricity produced in the systems is sold to the registered consumer where the system is installed or the electricity distributor in the system area in accordance with the rate that the partner (or the consumer, as far as rental transactions are concerned) pays (or could have paid) to IEC or another private electricity supplier[33], and for electricity fed into the electricity grid, in accordance with the rate paid by IEC by virtue of the various regulations.

The storage systems established by the Joint Project Corporation are established for three main purposes - the establishment of additional solar systems in areas characterized by network

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30 In relatively few cases, the establishment of the projects and their operation for the Joint Project Corporation is carried out by third parties other than the Company and/or corporations under its control.

31 Part of the financing is guaranteed by the Company's guarantee to the extent derived from multiplying the proportion of the Company's holdings in the Joint Project Corporations by 1.3 and part of the financing is guaranteed by the Company's guarantee for the full financing.

32 In relation to most project companies, the equity capital is provided as equity, investment or shareholder loans. As of December 31, 2021 and December 31, 2022, the remaining investment amounted to approximately NIS 123 million and approximately NIS 305 million, respectively. In relation to investments in projects for which financial closure has not yet been carried out, see the description in this section below.

33 At times, minus a certain discount.

congestion (which without the storage systems cannot be established), generating profits from the differences in electricity prices between the hours of the day (charging the storage systems during the hours when the rates are low and discharging the electricity during where the rates are high), supporting the activity of the virtual electricity supplier (will allow the virtual electricity supplier to make a profit from electricity supply during peak hours).[34,35] In addition, in the Company's estimation, with the expansion of the use of systems for generating electricity from renewable energies, it will be possible to also provide network stabilization and backup services through these systems.[36]

a) Procedure for establishing photovoltaic systems

The process of setting up photovoltaic systems is subject to instructions, laws, regulations and arrangements of various kinds, which must be thoroughly understood in order to obtain the approvals and permits required for their establishment, as is the case regarding the period of time involved in receiving them and the profitability of the various projects.

The beginning of the process of setting up a photovoltaic system is the identification of roofs, water reservoirs or land, on which the various systems can be built, and the signing of an appropriate agreement, which gives the Joint Project Corporation the right to use the land, roofs or water reservoir on which the systems are planned to be built.[37] In this context, it should be noted that most of the systems in commercial operation, under construction and nearing construction of the Group Companies are systems on roofs and reservoirs. Most of the Company's ground systems in Israel are mainly in development stages.

After that, it is required to promote a licensing procedure - for systems built on top of water reservoirs and roofs - and a planning procedure - for ground systems - in a way that allows the establishment of the system. As a general rule, the licensing procedure required for the establishment of photovoltaic systems on roofs and reservoirs - which are most of the systems promoted by the Company - is a relatively simple and quick procedure, and for systems on roofs, it usually does not involve obtaining a building permit.[38] On the other hand, the procedures for planning the ground

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34 See Decision No. 63704 and its amendment in Decision No. 64603 on the subject of a market model for production and storage facilities connected or integrated into the distribution grid.

35 See Decision No. 63609 - Update from demand hour files.

36 Based on services and revenues of battery storage systems in various European countries in whose territory network stabilization and backup services are provided to the system administrator, among other things, through storage systems. It should be emphasized that the Company’s estimates regarding future income of storage systems is forward-looking information, as this term is defined in the Securities Law, based on income and objectives of use of the storage systems in a number of countries in Europe. These estimates may not materialize due to various factors beyond the Company's control, in particular the determination of different regulations and the use of other solutions.

37 It should be noted that in relation to the systems built on top of water reservoirs and land, the corporation that owns the system is required to sign a lease agreement with the ILA in relation to the reservoir or the land on which the system is planned to be built.

38 Setting up a system on roofs with a power of up to 700 kilowatts per building is exempt from obtaining a building permit. Establishing a system on a building with a power exceeding 700 kilowatts, or on water reservoirs and on land to the extent of

systems and the storage systems is a longer and more complex procedure, which involves obtaining building permits, and sometimes also approving a plan that includes changing the land's designation.

At the same time as promoting the licensing procedures (for systems on roofs and reservoirs) or the planning procedures (for ground systems) and obtaining the construction permit (if required), the Company works to register the system (or systems) in the relevant regulation and maintain a quota, opening a connection file at the Electric Company, technical coordination by the IEC, and submitting a request to receive an answer from the electricity distributor regarding the possibility of connecting the system to the electricity grid.

To the extent that the system promoted by the Company was registered in a tariff regulation,[39] it is necessary to complete the establishment of the system and its integration into the distribution grid within 360 calendar days from the date of receiving approval from the Electricity Company to maintain a quota for the system. To the extent that the system promoted by the Company was registered for regulation by virtue of competitive procedures[40], it is required to complete the establishment of the system and its integration into the distribution grid by the dates set in the competitive procedure.

In this context, it is important to clarify that, in view of the limitations of the electricity grid, sometimes, in an area where several electricity producers (including renewable energy facilities) operate, mainly in the north or south of the country, the IEC provides a positive partial answer or a negative partial answer, which limits or does not allow the connection of the system to the electricity grid, since the grid in these areas is fully occupied. Accordingly, in the Company's estimation, obtaining approval from the electricity distributor is a significant milestone in regards to the establishment of photovoltaic systems in Israel, such that its non-receipt may cause a significant delay in the procedures for establishing the photovoltaic system, and at the same time, prevent the possibility of establishment until the development of the electricity grid in the area intended for the system is completed.[41] It should also be noted in this context that in view of the Company's knowledge regarding the electricity grid and the various regulations, in many cases, after receiving a limited response from a distributor, the Company presented to IEC solutions that enabled the connection of

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10% to 30% (depending on the location of the land) of the land intended for industrial or engineering use is subject to obtaining a building permit from the local planning institution. The establishment of systems with larger capacities or on land for other purposes is subject to a change of designation and approval of a dedicated zoning permit for the facility being promoted.

39 For details regarding the tariff regulations, see Section 1.1.1.1 below.

40 For information about the competitive processes regulations, see Section 1.1.1.1 below.

41 Given the fact that, as detailed below, the installation works of the systems are carried out after receiving all the approvals and permits required for the installation of the system (including receiving an answer from the electricity distributor), the main expenses involved in the installation of the systems are paid after receiving the answer from the distributor. Accordingly, the amounts that the Company invests in Israel for the purpose of promoting the systems before receiving an answer from the electricity distributor are not material in relation to the cost of setting up the systems. For details regarding the amounts invested until December 31, 2022 in relation to systems under licensing and development, see Section 1.4 of the Board of Directors' Report.

the system promoted by the Group Companies at times that correspond to the schedules in the relevant regulations (such as use in electricity storage systems, use of a smart decentralization system developed by the Company, etc.).

After receiving the approvals and permits required for the establishment of the system, the Group Companies work, in most cases through the Company, for the actual establishment of the system.

b) Provisions of the Founders Agreement[42]:

The founders' agreements regulate the relations between the parties as partners in the corporation that owns the photovoltaic systems.

As part of the agreements, it is stipulated that the parties will establish a joint corporation (mostly, as an agricultural cooperative society and sometimes as a limited company or as a limited partnership) for the purpose of initiating, establishing, operating and maintaining the systems (hereinafter: the "**Joint Activity**"), which will be owned by the Joint Project Corporation.

In some of the agreements, the Company holds all the rights in the Joint Activity, when the partner is granted an option to purchase part of the rights in the Joint Activity (up to 75%) for a fixed period at a predetermined price.[43] In addition, some of these agreements include an option for the partner to purchase all of the Company's rights in the Joint Project Corporation at a predetermined price.[44]

Most of the agreements stipulate that the Company will perform the construction (EPC) and operation and maintenance (O&M) of the systems.[45] In addition, there is an obligation of the partner to grant the Joint Project Corporation the right of use or permission in the buildings, reservoirs or land on which the systems will be established for a period of up to 24 years and 11 months.

Some of the agreements include a commitment by the Company to obtain the necessary financing for the establishment of the system, sometimes also at an interest rate that does not exceed that stipulated in the agreement. For the most part, the agreements stipulate that the investment of funds that will be required (including the provision of equity, collateral, guarantees, etc.) for the purpose of receiving bank financing and financing the activities of the Joint Project Corporation (hereinafter: the "**Required Funds**") will be provided by the parties, each according to its share in the Joint Project Corporation, as shareholder loans (hereinafter: the "**Shareholder Loans**") and liquidated damages in

[42] The provisions set forth below include the main provisions applicable in most transactions. Naturally, there is a certain difference between the various projects.

[43] In most agreements, the price is calculated according to the cost of building the project. However, in some agreements, the partner has the right 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, according to the partner's choice.

[44] The price is calculated based on the project construction cost, the balance of projected cash flow from the projects, the value determined by the appraiser or a price agreed upon by the parties.

[45] In a small part of the founders' agreements, the Company is granted the right of first refusal to perform the construction and maintenance works in accordance with price offers from third parties, and in a minority of the agreements it is stipulated that these works will be performed by a third party.

case a party does not provide its share (the right to provide an excess shareholder loan and sometimes also a right to convert the excess shareholder loan to equity according to an agreed company value). In some of the agreements, it is stipulated that the Company will provide the required equity and collateral for the partner's share as well, in some of the agreements it is stipulated that the Company will bear the gap between the financing actually obtained and the financing conditions stipulated in the Agreement (both in relation to the financing rate and in relation to the cost of financing) and in some of the agreements (mainly in relation to the establishment the storage systems), it was determined that the Company will provide the necessary financing for the establishment of the system, until bank financing is obtained.

In some agreements, the partner has the right to receive an excess payment before the repayment of Shareholder Loans and distributing dividends. Distribution of dividends is carried out with the agreement of the parties from the free cash flow of the Joint Project Corporation after the payment of the relevant payments of the financing and the repayment of the Shareholder Loans in full. In each distribution of dividends, each of the parties is entitled to its proportional share of the distributable profits according to the proportion of its holdings in the Joint Project Corporation.[46]

In some agreements, additional mechanisms were established in connection with the transfer of the rights of the partners in the Joint Project Corporation, such as: right of first refusal, tag along right or forced sale in case of sale of holdings to a third party. Also, in most agreements, there is a restriction on the sale, transfer, check and lien of the holdings, rights and obligations in the Joint Project Corporation to a third party, without the unanimous consent of the parties.

Most of the agreements include additional provisions regarding the management of the Joint Project Corporation[47], decisions requiring approval by a special majority[48], signature rights in the Joint Project Corporation, bookkeeping[49], liability for damages, confidentiality insurance, dispute resolution mechanism and more. Also, some of the agreements include provisions regarding the early termination of the Joint Project Corporation's activities in the cases specified in the agreement[50].

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46 As of the Report Date, the Company received dividends from the project corporations in immaterial amounts.

47 Usually, the Company has the right to appoint one board member, and the partner has the right to appoint between two and three years, depending on the share of the parties' holdings.

48 Most decisions of the Joint Project Corporation will be passed by a simple majority, with the exception of decisions on certain matters that are subject to unanimous agreement, such as: entering into transactions with interested parties, raising financing from members of the Joint Project Corporation, making investments, taking credit, receiving loans, guarantees and collateral or providing loans guarantees and pledges, creating a pledge, lien or assignment, capital injection, addition of new partners, change of signature rights, amendment to articles of association, sale of assets, decision regarding distribution of profits, liquidation, etc.

49 Usually by the partner against payment of a consideration that reflects acceptable market prices.

50 Such as: failure to receive a ILA approval in the time period specified in the agreement; failure to receive the approvals that allow the start of the works to establish the systems in the time period specified in the agreement; failure to obtain financing to the

For details regarding the authorization agreements, see Section 3.1.11 below. For details regarding the electricity sale agreements, see Section 3.1.6.2 below.

satisfaction of the parties; cancellation of the regulation by virtue of which the system will be established or a substantial change in its instructions; failure to connect the system in the period of time fixed in the agreement; appointment of a person in charge of the Joint Project Corporation, etc.

3.1.1.2 **Regulations in the photovoltaic field**

Electricity production activity using photovoltaic installations is regulated in the Electricity Sector Law, as well as in the regulations, instructions and decisions of the Electricity Authority. These regulations determine the installed capacity in relation to which a quota allocation can be obtained, the procedures for setting up the systems, the manner in which it is possible to compete for winning the aforementioned quotas, the tariff to which the winners will be entitled, and the other conditions that the winners must meet in order to obtain a commercial operation permit or a production and supply license.[51]

Below is a table detailing the various regulations under which the systems owned by the Group Companies in Israel operate:

[51] In accordance with the provisions of the Electricity Sector Law, among other things, electricity generation with a capacity not exceeding 16 megawatts intended for sale to a person who does not have an essential service provider license or to a consumer in the land division on which the system is installed who is the holder, owner or lessee for generations in the land division is exempt from obtaining a production license and a supply. However, facilities with a power exceeding 5 megawatts (AC) require receipt of a business license. It should be noted that in accordance with the decision of the Electricity Authority of April 30, 2020, electricity storage using a storage facility with an installed capacity not exceeding 16 megawatts is exempt from obtaining a storage license. As of the Report Date, the project corporations are exempt from receiving a production or supply license.

	Electricity generation arrangement for small systems ("Tariff Arrangement")	Regulation for photovoltaic electricity generation systems in rooftop installations and reservoirs ("Competitive procedure for rooftop[52] installations and reservoirs[53]")[54] (Procedure 1; and Procedure 3; "Competitive Procedures" or "Tender Arrangement")	Regulation for distributed renewable energy electricity generation using the net meter method ("Net Meter Arrangement")[55]	Default regulation[56]	Winning quota[57]	Storage systems[58]
Location of the facilities	Roofs	Roofs and reservoirs	Land, roofs and reservoirs	Land, roofs and reservoirs	Land, roofs and reservoirs	Land
Possibility of registration for the regulation	Possible	---	---	---	---	N/A
Tariff range as of the Report Date (agorot/kWh)	Systems registered in the years 2009 to 2018 - between 201 agorot and 37 agorot, linked to the index. As of 2018: systems up to 15 kW - 48 agorot; Systems between 15 and 200 kW registered until December	18.18-23.33 agorot 100% kinked to the consumer price index	Based on the time of use tariffs with a minimum rate of 41.2 agorot per kWh for systems up to 630 kWh and 37.08 agorot per kWh for systems over 630 kWh (not linked) for a period of up to 15 years from the date of operation of the facility. In addition to the protection tariff	16 agorot, linked to the index	17.62 agorot for land facilities 22.61 agorot for roof installations and reservoirs	Based on the time of use tariffs (charging during the low hours and discharging during the peak hours); prevention of curtailment of the electricity produced by solar systems in

52 "Building" - As the term building is defined in the Planning and Construction Law, including a fuel storage farm and a parking lot in an open area that were legally built; "Roof" means - top cover or floating cover, side cover or wall.

53 "Reservoir" means - a legally established water reservoir, fish pool or wastewater reservoir.

54 See the Electricity Authority's decision from meeting No. 538 of March 22, 2018, Decision No. 10 (1248) - Principles for a competitive procedure for determining a tariff for electricity production using photovoltaic technology for rooftop installations.

55 See the Electricity Authority's decision from meeting No. 389 of December 25, 2012, Decision No. 10 - Arrangement for decentralized electricity production with renewable energy - using the "net meter" method, as amended from time to time.

56 See Electricity Authority Resolution No. 538 of meeting No. 538 of March 22, 2018, Resolution No. 9 (1247) - Production of electricity with photovoltaic technology instead of consumption - default.

57 See Resolution No. 4 (57204) - Tariff determination and eligibility conditions for the tariff for photovoltaic installations on roofs and water reservoirs that are not included in the quota of the winner in competitive procedures.

58 See Criteria 24a and 47a in the Book of Criteria.

	Electricity generation arrangement for small systems ("Tariff Arrangement")	Regulation for photovoltaic electricity generation systems in rooftop installations and reservoirs ("Competitive procedure for rooftop[52] installations and reservoirs[53]")[54] (Procedure 1; and Procedure 3; "Competitive Procedures" or "Tender Arrangement")	Regulation for distributed renewable energy electricity generation using the net meter method ("Net Meter Arrangement")[55]	Default regulation[56]	Winning quota[57]	Storage systems[58]
	31, 2020 and systems between 15 and 100 kW registered by December 31, 2022 - 45 agorot. As of March 1, 2021, the distribution of the facility tariff according to steps: first 15 kilowatts - 48 agorot; the remaining capacity between 16-100 kW - 41 agorot; the remaining power between 101-300 kW - 24.5 agorot; the remaining capacity between 301-630 kWh - 18.91 agorot. It is clarified that as of 2018, the rates are not linked to any index.		for net meter facilities, there is a possibility of selling the accumulated credit to the distributor at a sophisticated (uniform) time of use tariff for a period of 10 years.[59]			the historical distributor; the loans initiated according to the initiated loans tariff (for the year 2023 - between NIS 5 and 7 per kWh).

59 Resolution No. 64402 of the Electricity Authority "Adjustments in the regulations in the production segment following the update of the demand hour files".

	Electricity generation arrangement for small systems ("Tariff Arrangement")	Regulation for photovoltaic electricity generation systems in rooftop installations and reservoirs ("Competitive procedure for rooftop[52] installations and reservoirs[53]") [54] (Procedure 1; and Procedure 3; "Competitive Procedures" or "Tender Arrangement")	Regulation for distributed renewable energy electricity generation using the net meter method ("Net Meter Arrangement")[55]	Default regulation[56]	Winning quota[57]	Storage systems[58]
Accounting method	The offerors can decide, up to the date of the engagement with IEC, whether the accounting method is for the electricity produced in the system (which is sold in full to IEC) or for the electricity sold to IEC, when the remainder of the electricity is self-used.	The offerors can decide, up to the date of the engagement with IEC, whether the accounting method is for the electricity produced in the system (which is sold in full to IEC) or for the electricity sold to IEC, when the remainder of the electricity is self-used.[60]	At the end of a billing period, a calculation is made between the volume of electricity consumption and the volume of electricity production, based on the same rate. If there is a positive difference, the positive credit is retained for the consumer for a period of two years, and in the case of a negative difference, the consumer pays the difference between the electricity consumption and the amount of production. The consumer may choose to transfer the tariff credit to IEC, against payment of a fixed amount. In addition, the manufacturer is required to pay backup and balancing costs for the electricity it produces and consumes.	In respect of the electricity sold to the IEC, when the remainder of the electricity is self-used	The offerors can decide, up to the date of the engagement with IEC, whether the accounting method is for the electricity produced in the system (which is sold in full to IEC) or for the electricity sold to IEC, when the remainder of the electricity is self-used.	---
Bid bond amount	---	NIS 50 per kilowatt offered	---	---	---	---

[60] It should be noted that for the electricity consumed by self-use, the offeror is required to pay system costs to IEC for services provided by its in its role as system administrator.

	Electricity generation arrangement for small systems ("Tariff Arrangement")	Regulation for photovoltaic electricity generation systems in rooftop installations and reservoirs ("Competitive procedure for rooftop[52] installations and reservoirs[53]")[54] (Procedure 1; and Procedure 3; "Competitive Procedures" or "Tender Arrangement")	Regulation for distributed renewable energy electricity generation using the net meter method ("Net Meter Arrangement")[55]	Default regulation[56]	Winning quota[57]	Storage systems[58]
Construction guarantee amount	---	NIS 150 per kilowatt offered	---	---	NIS 300 per kilowatt for ground installations and NIS 150 per kilowatt for rooftop installations	---
	---	A delay in commercial operation entitles the Electricity Authority to confiscate the construction guarantee proportionally up to absolute confiscation. There is a possibility to extend the construction period up to three times in five months against the posting of an additional guarantee in the amount of NIS 150 per kilowatt.	---	---	See note above.	---
Rate period	25 years from the date the system was connected to the grid.	25 years from the date of commercial operation.	Regarding systems that received an allocation until January 2018 - without a time limit. Regarding systems that received an allocation starting from January 2018 - a period of 25 years from the date the system was connected to the grid	23 years from the date the system was connected to the electricity grid	Land facilities - 23 years from the date of commercial operation Installations on roofs and reservoirs - 25 years from the date of commercial operation	---
Manner of determination of the winning tariff	Fixed price depending on the registration date of the regulation and system size	Determined by the 'second uniform price' (clearing price) method, according to which all offerors who won the competitive procedure are paid a uniform rate equal to the amount of the first	Based on the time of use tariffs	Fixed price in the regulation	Price set in the regulation	---

	Electricity generation arrangement for small systems ("Tariff Arrangement")	Regulation for photovoltaic electricity generation systems in rooftop installations and reservoirs ("Competitive procedure for rooftop[52] installations and reservoirs[53]")[54] (Procedure 1; and Procedure 3; "Competitive Procedures" or "Tender Arrangement")	Regulation for distributed renewable energy electricity generation using the net meter method ("Net Meter Arrangement")[55]	Default regulation[56]	Winning quota[57]	Storage systems[58]
		bid that did not win the tender.				
The offerors' commitment in relation to the systems that will be established	The applications submitted include systems on specific sites detailed in the application.	The offerors are not obliged to specify the projects that are the subject of their bid, but they are responsible for setting up systems with the total capacity they won in accordance with the deadlines set in the competitive procedure.	The applications submitted include systems on specific sites detailed in the application.	There is no obligation to specify the projects that are the subject of the application, however, it is the submitter's responsibility to establish systems with the total power that is the subject of the application		---
Manner of sale of the electricity by the Company	Regarding electricity sold to customers or electricity distributors in the area of the system (the "**Consumer**") - the consumer pays to the joint project corporation the payment for the electricity produced in the system in accordance with the rate established in the regulation, and at the same time, receives payment at the same rate from the IEC. With regard to systems that	The customer on whose territory the system was established and where the system is registered pays the Joint Project Corporation the payment for the electricity produced in the system in accordance with the time of use tariff (sometimes minus a certain discount) and at the same time, an accounting is done between the consumer and the IEC regarding the tariff credit for electricity generated in the system and not consumed on the	Regarding electricity sold to customers or electricity distributors in the area of the system (the "**Consumer**") - the consumer pays to the joint project corporation the payment for the electricity produced in the system in accordance with the rate established in the regulation, and at the same time, receives payment at the same rate from the IEC. With regard to systems that sell electricity to private households - payment is accepted according to the regulation.			The electricity is sold to the historic distributor according to the time of use tariffs during the discharge hours and is used for independent consumption. Starting in 2024, it will be possible to sell the electricity within the framework of the market regulation.[61]

[61] The market regulation is intended to regulate the activity of the production facilities in the distribution grid, and in particular their possibility to sell electricity directly to suppliers. According to the market regulation rules, production facilities that are included in regulations or other competitive procedures will be given the option to switch to the track of selling electricity at SMP

	Electricity generation arrangement for small systems ("Tariff Arrangement")	Regulation for photovoltaic electricity generation systems in rooftop installations and reservoirs ("Competitive procedure for rooftop[52] installations and reservoirs[53]")[54] (Procedure 1; and Procedure 3; "Competitive Procedures" or "Tender Arrangement")	Regulation for distributed renewable energy electricity generation using the net meter method ("Net Meter Arrangement")[55]	Default regulation[56]	Winning quota[57]	Storage systems[58]
	sell electricity to private households - payment is accepted according to the regulation.	consumer's premises.				

rates (half-hourly marginal price) for feeding electricity into the grid, and starting January 1, 2024, the option will be given to sell energy from the production facility directly to suppliers. For more details, see Electricity Authority Decision No. 63704 - Market model for production and storage facilities connected or integrated into the distribution grid.

3.1.1.2.1 Dedicated tenders

In addition to the regulations detailed above, dedicated tenders are published from time to time for the construction of photovoltaic systems for electricity generation at the initiative of the Israel Lands Authority or the Comptroller General. The terms of the tenders are different from each other. In some tenders, the tender is made in relation to the price of the cost of the land on which the facilities will be installed, while guaranteeing a fixed rate to the winners of the tender, while in other tenders the land is provided for the use of the winners free of charge, when the tender in this case is on the proposed rate.

3.1.1.2.2 Systems held by the Group in the field of activity

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

3.1.1.3 Developments in the field of activity and changes to scope of activities in the field and profitability

The electricity market in Israel is in the process of changing from a centralized interface of an exclusive and central electricity producer under the control of the state (IEC), to a competitive market, which includes a variety of producers and a variety of sales mechanisms.

Over the past few years, the authorities in Israel have been working intensively to increase the amounts of electricity produced from renewable energy, and mainly from photovoltaic energy, by easing regulation, increasing quotas for the establishment of renewable energy-based facilities, opening the electricity sales market to competition, regulating the market,[62] etc.

As for the profitability rates in the field, following the competition that characterizes the market in Israel, the gradual reduction of incentives for developers, the decrease in electricity rates in Israel and the change in the time of use tariffs in Israel[63], there has been a significant increase in the scope of competition in the field. Accordingly, in the Company's estimation, there will be an erosion in the profitability of the solar projects in Israel.

As part of the Company's activity to deal with the erosion in the profitability of solar projects, the Company focuses on initiating projects by virtue of a tariff regulation or initiating projects for self-consumption - which are characterized by rates that are higher than the rates determined within the

[62] See footnote 62 above.

[63] It should be noted that in December 2022, the Electricity Authority published Decision No. 64402 "Adjustments in the regulations in the production segment following the update of the demand hour files" which applied several changes following the update of the time of use hours, mainly concerning the systems under the "net meter" regulation, within which it established a minimum rate of 41.2 agorot per kWh for systems up to 630 kWh and 37.08 agorot per kWh for systems over 630 kWh. The protection rate is not linked to the index and will be given for a period of up to 15 years from the date of operation of the facility. It should be noted that in addition to the protection tariff set forth above, the regulation for net meter facilities allows for the possibility of selling the accumulated credit to the distributor at a sophisticated (uniform) time of use tariff for a period of 10 years. Beyond that, the decision allows low voltage facilities in the net meter series to switch to a tariff system valid until December 31, 2023.

framework of the competitive procedures. In addition, the fact that the Company is the EPC contractor for most of these projects reduces the erosion resulting from it in the prices of equipment and transportation. Also, as part of the Company's dealings with the change in time of use tariff rates, the Company is working to initiate electricity storage projects in batteries, which charge electricity from the grid, or the electricity produced in the solar systems during hours when electricity rates are low and discharge them to the grid during hours when electricity rates are higher. The use of these systems reduces the erosion of the returns of the systems based on self-consumption due to the change in the time of use tariff rates, by moving the peak hours to the hours when solar systems are not active and enables the establishment of additional tariff systems (which are systems characterized by high profitability).

In parallel to these projects, the Company is working to enter additional segments, which include the establishment of a grid of charging stations for electric vehicles, the establishment of a system for electricity supply, etc. In this framework, the Company, together with Milgam Ltd., established Enova Energy, which owns 48% of the rights in Milgam EV - EDG, and is also involved in establishing a national grid of charging stations and opening the field of electricity supply, using the information and experience available in the Company (in the energy field) and Milgam (in the B2C field).

It is emphasized that the estimations of the Company regarding the profitability of the area of activity constitutes forward-looking information, as this term is defined in the Securities Law, based on the provisions of the law and the micro-economic conditions in the market at present. These estimates may not be realized due to factors beyond the Company's control, such as a change in legal provisions, a change in the costs of setting up the systems or a change in Company policy.

3.1.1.4 Technological changes that may have a material impact on the segment

The electricity output from facilities built with photovoltaic technology directly depends on the conditions of solar radiation. Therefore, complementary technologies are required for these systems, in order for them to be able to supply and back up the electricity grid at times when the natural resources are not available or do not supply the amount of electricity required for the grid (for example: there is a need for storage projects and “peaking” power plants[64], which will back up the grid at night and during where there was a decrease in solar radiation).

The use of renewable energy (solar systems, wind systems, hydro systems, etc.) is characterized by volatility in the electricity supply, which results from changes and volatility in weather conditions. For example, solar systems generate electricity only during the day, when there is sunshine. In addition, cloudiness during the day causes a temporary decrease in system output. Also, the suppliers of wind power generation farms depend, among other things, on the strength of the wind at any given moment.

[64] 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 demand and the existing supply of electricity.

Thus, changes in wind energy during the day cause fluctuations in electricity supplies - this is in contrast to systems for generating electricity from non-renewable energies which are characterized by stability and the ability to plan in advance. Accordingly, the increasing scope of use of renewable energies requires the use of complementary systems - flexible generation supply facilities 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 a backup for electricity supply during hours when renewable energy systems do not operate (or operate partially), thus guaranteeing a stable supply of electricity in accordance with market requirements, and also allow stabilization of the electricity supply, during times when there is a temporary decrease in the electricity supply (for example due to temporary cloudiness which causes a decrease in the output of solar systems, a temporary decrease in the gust of wind which causes a temporary decrease in the output of wind farms, interruptions in conventional electricity production, etc.). Also, battery projects enable the provision of system services to the transmission system - including frequency stabilization and response to additional incidents of damage to the electricity supply or its stability. During the last few years, there has been a significant decrease in the costs of electricity storage systems, in a way that increases the viability of using these systems. Accordingly, during the past year the Company established additional storage systems in Israel and also worked to initiate and locate storage systems in additional policies around the world.

In parallel with the use of lithium batteries, during the last few years, various developers are working to develop battery projects with different technologies, which allow the storage of electricity for long periods from lithium batteries, as a variety of hydrogen projects. The Company follows the development of the new technologies and examines the possibility of initiating projects using them.

It should be emphasized that the Company's estimates regarding the use of storage technology include forward-looking information, 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 and approvals that will be required for their use.

In addition, in recent years, many resources have been invested by the manufacturers of the collectors, in an attempt to optimize and develop the technology of the solar collectors, so that they increase the utilization of the photovoltaic cells and enable more efficient electricity production over a similar (or smaller) area. These developments make it possible to produce a larger amount of electricity in a given area and also make it possible to increase the capacities of the existing systems by replacing the existing collectors with smaller, cheaper collectors with larger capacities. According to Bloomberg technology forecasts, the average utilization of photovoltaic cells is expected to increase from a level of 16.8% in 2016, to 21% in 2025 and to 24.4% by 2040.[65]

Also, in recent years there have also been changes in the technologies of converters, which significantly reduced the costs of converting the solar energy produced through the collectors to the electricity fed into the grid and significantly increased the efficiency of the converters.

In addition, to the best of the Company's knowledge, many companies are investing in the development of products for automatic washing of the collectors and systems. The integration of these systems may reduce the maintenance costs of the facilities and increase their productivity.

In the Company's estimation, the completion of the development of the technological solutions detailed above, as well as other technological breakthroughs that will lead to the fact that it will be possible to increase the scope of production per hour and per square meter, and in particular the use of storage technologies, will facilitate the establishment of systems for the production of electricity with renewable energy, and accordingly may contribute significantly to the development and expansion of the Company's field of activity.

3.1.1.5 Critical success factors in the field of activity and changes therein

The Company estimates that the critical success factors in the field of activity are:

3.1.1.5.1 The ability to locate and access land reserves, roofs or water reservoirs, with economic viability and engineering and environmental feasibility, which allow the establishment of photovoltaic systems. The Company has over a hundred partnerships with kibbutzim and real estate companies, site owners suitable for setting up solar systems and storage systems.

3.1.1.5.2 Know-how, which enables the initiation, planning and establishment of projects, and which helps the correct and economic planning of the projects, in a way that allows the party that owns them, on the one hand - to be competitive, and on the other hand - to act so that the projects are profitable.

3.1.1.5.3 Knowledge and creativity that help the Company present solutions for connecting photovoltaic systems to the electricity grid, even in areas where the electricity grid is not sufficiently developed.

3.1.1.5.4 The ability to build (EPC) and maintain (O&M) independent photovoltaic systems improves the profitability of the projects, leaves the profits of the construction and maintenance in the hands of the Group Companies, and contributes to the shortening of the schedules for the construction of the projects, optimal planning and the use of high-quality parts suitable for the characteristics of the projects.

[65] See Ministry of Energy, Israel's Energy Economy 2019.

3.1.1.5.5 Financial stability and the ability to raise the necessary funding, for the purpose of setting up the systems with low capital.

3.1.1.5.6 Publication of quotas and competitive procedures, by the regulator and the relevant authorities.

3.1.1.5.7 The ability to promote regulatory procedures, coordination between the various authorities and reducing bureaucratic barriers required for the establishment of the system and connection to the electricity grid.

3.1.1.5.8 Professionalism and efficiency in the field of initiation, which enable the completion of the projects on time and the maximum output of electricity according to the conditions of the area, the technical data, and the other constraints in each project.

3.1.1.5.9 Ability to meet the schedules established 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 production performance during the operation period.

3.1.1.6 Changes in suppliers and raw materials in the field of activity

See Section 3.2.90 below.

3.1.1.7 Main entry and exit barriers of the area of activity and changes therein

3.1.1.7.1 Entry barriers

- Locating lands, roofs and reservoirs suitable for setting up systems, paying attention to the set of regulatory, planning and engineering constraints and conditions.
- Accessibility to funding sources and the existence of capital required for the purpose of financing the initiation, providing guarantees and setting up the project.
- Supporting regulation that enables the establishment of profitable projects and the sale of the electricity produced or stored in them.
- Recognition and expertise in the various regulatory provisions applicable to the field of activity and the ability to comply with them, in schedules that allow the formation of a business and competitive plan for the purpose of completing all the licensing (or planning) procedures and the regulatory processes required for the purpose of establishing a project in a quick and efficient manner, dealing with and winning competitive procedures.
- Availability of the electricity grid located near the system location.
- A positive reputation among owners of land, roofs, water reservoirs, and holders of capital in order to cooperate with the Company in initiating the construction and maintenance of photovoltaic projects.

3.1.1.7.2 Exit barriers

- The Company's ability to release itself from its obligations by virtue of joint venture agreements with business partners.
- Reliance on long-term financing agreements, since when selling the project, the buyer is not necessarily interested in a bank loan, when early repayment of the loan sometimes involves significant costs.
- Regarding the sale of the rights in the system - compliance by the buyer of the control of the projects with the conditions stipulated in the financing agreements and the joint ventures on the matter, and regarding systems that will operate according to a license - with the conditions of the license as well.
- In relation to projects established within the framework of competitive procedures - forfeiture of guarantees due to non-completion of the establishment of the system and the loss of the quota.
- Loss of the full sums invested in projects whose development was stopped.

3.1.1.8 **Alternatives to the products in the field of activity and changes therein**

The main alternative sources for generating electricity from photovoltaic installations are systems for generating electricity from other renewable energies (thermo-solar systems, wind turbines, biogas facilities, etc.); systems for generating electricity based on fossil fuels (such as natural gas, coal, fuel oil and diesel); systems based on nuclear energy. The alternative sources for electricity storage systems in batteries are peaking power plants and electricity storage systems using other technologies. A replacement for electric vehicle charging systems are gas stations, designed for gasoline, diesel or gas powered vehicles.

As of the Report Date, the essential advantages inherent in the production of electricity using renewable energy in general, and photovoltaic energy in particular, are guaranteed availability of the energy source and great accessibility to it, the absence of greenhouse gas emissions, and the safety and ease of operation of the renewable energy facilities (the cost and complexity of their construction is also substantially lower than the cost and complexity of establishing conventional power plants). On the other hand, it is possible to generate electricity using photovoltaic systems only during the daytime (although there are solutions for energy storage which, as stated above, were and are being established by the Company).

3.1.2 The structure of the competition in the field of activity and the changes therein

See Section 3.2.7 below.

3.1.3 Products and services

As stated above, within the scope of the activity, the Group engages in the initiation, licensing, management of financing procedures, development, and possession of solar systems and electricity storage systems, and the sale of the electricity produced in these systems to the IEC, historical electricity distributors in the territory of which the systems are located, to partners with it in the project corporations (the corporation that owns the system) or to the owners of the buildings on which the systems are installed, in accordance with the various regulations as well as in the establishment of systems for charging vehicles and in the supply of electricity to consumers. For details, see Section 1.4 of the board of directors report.

Taking into account the types and scopes of the projects that are in the advanced stages of construction and initiation as well as the regulatory changes as detailed above, in the Company's estimation, in the coming years it is expected that there will be an increase in the scope of the total income of the Group Companies from the sale of electricity.

The Company's estimations regarding the increase in the income of the Group companies is forward-looking information, as this term is defined in the Securities Law, whose realization is uncertain and is not under the exclusive control of the Group companies. The aforementioned estimates are based on the Company's plans regarding the dates of the construction of the various systems, and may not be realized due to factors beyond the Company's control, such as: delays in receiving the approvals necessary for the establishment of the systems, delays in the establishment, changes in the provisions of the law and/or regulations, defects in the system, changes in the weather, receiving negative answers from an electricity distributor, the continuation of the Corona crisis and the restrictions imposed (and that will be imposed) following it, the existence of one or more of the risk factors listed in Section 4.14 below, etc.

3.1.4 Segmentation of income from products and services

Below is the segmentation of the Company's revenues in the field of activity, for the years 2021 and 2022[1]:

	2022	% of corporation's income	2021	% of corporation's income
Systems that operate by virtue of a tariff arrangement	37,308	67%	16,615	47%
Systems that operate by virtue of a net meter arrangement	11,965	21%	11,713	33%
Systems operating by virtue of competitive procedures	6,804	12%	7,066	20%
Total revenue	56,077	100%	35,394	100%

(1) The data in the table include the Company's share of the revenues of the project corporations received from the systems held in each period as mentioned (multiplying revenues by the holding rate). In relation to systems whose operation began during the relevant activity period and systems purchased by the Group - the table includes actual results only, starting from the various activation or purchase dates until the end of the relevant calendar period.

3.1.5 New Products

During the last year, the Company, together with the Milgam company, established Enova Energy, which deals with providing energy management and supply solutions and charging electric vehicles. The purpose of the partnership is to provide an end-to-end solution for energy management through unique energy management technologies, which will allow the partnership to sell the Company's electricity to end customers, private and business.

Also, as part of the transaction to establish Enova Energy, Milgam transferred to Enova Energy its holdings in Milgam EV-EDG, which is engaged in charging solutions in the municipal space. In this framework, the Company will have extensive access to the municipal authorities in the field of solar systems and energy storage.

At the same time, the Company continues to promote the initiation and establishment of charging stations for vehicles, in the territories of its partners, among other things, with the aim that the charging stations will make use of the electricity produced in the systems.

In addition, following the decision of the Electricity Authority[66] regarding the opening of the electricity supply segment for distribution and the transformation of the electricity market in Israel into a competitive and efficient decentralized one, the Company is engaged in cooperation with Enova Energy to promote its activities in the field of electricity supply and communicate directly with business, domestic and other consumers, offering 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.

The information set forth in this section, including the plans of the Authority, exercise of the regulations, the Company's engagement with consumers and the Company's assessments of the impact on its activity is forward-looking information as defined in the Securities Law, based on the information, forecasts, and data in the Company's possession at the time of this report and the Company's current assessments and plans, including in reliance on the examinations and research performed and published by the Authority. These estimates and plans may not be realized, or partially realized, due to various variables that are not under the exclusive control of the Company, including, prevention or delays in obtaining regulatory approvals, planning requirements, operational problems in the infrastructure of the electric company, changes in the economy in general and the electricity industry in particular, etc. Accordingly, the aforementioned information may not materialize and/or materialize in a different way than described above.

3.1.6 Customers

[66] Electricity Authority Decision No. 63704 - Market model for production and storage facilities connected or integrated in the distribution grid.

As of the Report Date, the customers of the Group Companies are, mainly, the consumers (partners in the Joint Project Corporations or owners of the properties on which the photovoltaic systems are installed), electricity distributors that purchase the electricity produced in the systems located on their space from the Joint Project Corporations, the system administrator, and the IEC.

Regarding electricity produced in the systems of the Joint Project Corporations and consumed by these customers, the rate that is paid for it is the same as the rate that the customer would have paid to the IEC or a private electricity producer, as the case may be, sometimes minus a certain discount.

Regarding electricity fed into the electricity grid - the feed-in rate to the grid is paid to the Joint Project Corporation in accordance with the relevant regulation (by the IEC or the historic electricity distributor in the area where the project is located).

As of the Report Date, there is no electricity consumer whose revenues accounted for 10% or more of the total revenues of the Group Companies.

3.1.6.1 Manner of engagement with private consumers and electricity distributors[67]

The Joint Project Corporations usually enter into agreements for the sale of electricity with the electricity consumers from the system or the electricity distributors in the area where the system is located. These agreements include the rates to be paid to the Group Companies, payment dates, etc.

With regard to systems installed under the net-meter system or another system based on self-consumption, the consumer undertakes to pay the Joint Project Corporation a monthly payment according to the electricity consumption from the systems installed on its premises, according to the meters installed on its premises and the time of use tariff rates that were actually paid by the consumer to the IEC or to a private electricity producer, sometimes with the deduction of a certain discount, and sometimes according to the lowest alternative rate in all the demand hour clusters where the consumer could have purchased the electricity from the IEC and/or from any other party.

Regarding systems established by virtue of tariff regulations, the Joint Project Corporation is paid a payment according to the feed-in tariff of the systems in the relevant regulation.

In some of the agreements, it is stated that the validity of the agreement is 24 years from the date of commercial operation and that it will enter into force from the date of successful compliance with the facility tests as required by the standards and the integration of the facilities into the grid by the distributor. In addition, some of the agreements include grounds for termination of the agreement (such as: legal obstacle, violation of material provisions of the agreement, the existence of legally established grounds for stopping or disconnecting the electricity supply, causing disturbances in the

[67] The provisions listed below include the main provisions applicable to most agreements. Naturally, there is a certain difference between the various agreements.

grid by the systems, preventing free access to the equipment of the Joint Project Corporation by the consumer, etc.) and warranty, insurance and indemnity clauses.

In addition, part of the electricity produced by the Group Companies is sold directly to IEC, which, in accordance with the terms of the relevant regulations, enters into long-term agreements with the Joint Project Corporations (between 20 and 25 years, depending on the terms of the relevant regulations). The contract with IEC is by virtue of a generic agreement relevant to that regulation, in accordance with the rates established by the Electricity Authority within the framework of the relevant regulation, and in relation to projects by virtue of the regulation of competitive procedures, in accordance with the rate determined or to be determined in the relevant competitive procedure (for details regarding the relevant rates, see Section 1.1.1.1 above).

3.1.6.2 Manner of engagement with IEC

The engagement with IEC in the agreement for the sale of electricity is regulated by criteria of the electricity sector, and is determined by the Electricity Authority and the relevant regulations published by the Electricity Authority based on the criteria. The contract is made by virtue of an agreement known as a 'power purchase agreement'. This is a standard-form contract, applicable to all electricity producers according to the different types of regulations, according to which, subject to compliance with the conditions and milestones detailed in the agreement, IEC will purchase the electricity produced by the electricity producer. The aforementioned agreement obligates IEC to purchase the full energy produced (or the full energy agreed to be sold to IEC), during the period defined in the regulation and at the rate determined in a competitive procedure or upon receipt of the tariff approval from the Electricity Authority, as the case may be. On the other hand, the producer is required to pay IEC a fixed or variable fee depending on the electricity production for backup costs, balancing, use of the electricity grid, operational energy losses, electricity consumption, meter reading, etc. IEC is entitled to suspend the purchase of electricity for a certain period if conditions defined in the agreement are met, and is also entitled to terminate the agreement in the event of a legal impediment to the purchase of electricity.

The agreement includes, among other things, instructions regarding the system's compliance with technical requirements, a switch to connection to the electricity grid, as well as instructions regarding operation, maintenance and amendment of the facility by the manufacturer at any time during the term of the agreement.

In the purchase agreement with tariff regulations and competitive procedures, the manufacturer undertakes to take out all the required insurance policies according to the Electricity Sector Regulations (Conditions and Procedures for Granting a License and Obligations of a Licensee), 5757-1997, mainly liability insurances to cover the liability of the licensee under any law, employers' liability insurance to cover the licensee's liability towards his employees, and insurance for the licensee's assets, property, equipment and inventory used in the activity.

In accordance with the terms of the relevant regulations, the engagement is long-term (between 20 and 25 years depending on the terms of the relevant regulations).

3.1.7 Marketing and distribution

The marketing activity of the Group mainly includes business development and focuses on entering into agreements with the partners, owners of vacant land, roofs or reservoirs, for the establishment of photovoltaic systems, mainly within the framework of the Joint Project Corporations, and expanding the projects within them by leveraging the relationships with the partners. The marketing activity is carried out by the employees of the Group Companies and includes meetings with potential partners, meetings with existing partners in order to try and locate additional collaborations, publications on social networks, etc.

In the Company's estimation, it has no dependence on any of its marketing channels, and no substantial cost is expected as a result of the need to replace them.

3.1.8 Competition

3.1.8.1 In the Company's estimation, the field of activity is a very competitive field, characterized by a large number of competitors, mainly due to the fact that the players in the market compete for reservoir lands, and vacant roofs, free space in the electricity grid and quotas for the establishment of photovoltaic systems (as part of competitive procedures or by virtue of tariff regulations). Accordingly, in the Company's estimation, the main competition in the market is on the supply of land, roofs and reservoirs.

In addition, in light of the fact that failure to meet the timetables for reaching commercial operation may result in the forfeiture of the construction guarantees and finally also the loss of the win in the competitive procedure, the competition is also reflected in the ability to meet all the conditions required to meet commercial operation, including receiving a connection permit, winning the lottery to test the grid in the Electric Company and opening connection files, obtaining building permits and other statutory approvals, etc.

To the best of the Company's knowledge, as of the Report Date, dozens of competitors are operating in Israel in the photovoltaic field. The most prominent of these entities are EDF-Renewables Israel, Shikun and Binui Renewable Energy Ltd., Enlight Renewable Energy Ltd., Energix Renewable Energy Ltd., Solaer Israel Ltd., Tera Light Ltd., Doral Renewable Energy Group Ltd., Meshek Energy - Renewable Energies Ltd., the Helios Fund, and Solegreen Ltd.

3.1.8.2 Given the amount of electricity produced in Israel in photovoltaic fixtures in general and the amount of electricity produced by the Group Companies in particular, in the Company's estimation as of the Report Date, the share of the Group Companies in the field of activity is not material.

In the Company's estimation, the Company's good and long-standing relationships with kibbutzim, industrial plants and real estate companies, which own land, roofs and water reservoirs and which are significant electricity consumers, its experience in project initiation, in the construction and maintenance of photovoltaic projects, all allow it to offer its partners a comprehensive solution within the concept of a 'One Stop Shop' and its familiarity with the various legal and regulatory provisions assist the Company in dealing with the competition.

3.1.8.3 Positive factors that affect the Company's competitive position are, among other things, the skill and qualifications of the existing personnel in the Company and their training mainly in the field of project management, business development and systems planning.

3.1.8.4 As for the negative factors that may harm the Company's competitive position - in the Company's estimation, the fact that the initiative activity in the field is subject to significant regulation (obtaining permits from planning institutions, the existence of regulations and quotas, etc.), and the ability to connect to the electricity grid (on which other competitors compete), may harm the Company's ability to carry out projects advanced by it - both due to planning limitations, and 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 grid.

3.1.9 Seasonality

Naturally, the ability of the photovoltaic systems to produce electricity depends to a great extent on the level of solar radiation and the conditions of temperature, wind and atmospheric pressure in which the solar collectors are located. As a result of changes that apply to these factors throughout the year, there is a certain variation in the systems' outputs between the months of the year. Thus, in Israel, the winter months are characterized by a lower productivity compared to the other months of the year, when, as a rule, the productivity of the systems is higher in the months of May to September.

Below is a breakdown of the systems' output broken down by quarters[68]:

	Q1	Q2	Q3	Q4
2022	25%	28%	30%	17%
2021	26%	27%	29%	18%

3.1.10 Production capacity

Regarding the Company's assessments regarding the Company's production capacity and the projects under construction, in preparation for construction and initiation, see Section 1.4 of the Board of Directors' Report.

[68] In view of the fact that during the years 2021 and 2022, the Company set up and connected systems during the year, the segmentation of the Company's revenues divided by quarters does not show the potential variation in the Company's revenues in the field of activity divided by quarters. Accordingly, the table includes a breakdown of the systems' outputs divided by quarters.

3.1.11 Fixed assets, land and facilities

As mentioned above, the systems owned by the Group Companies are established on rooftops and reservoirs which in most cases are owned by the Company's partners in the Joint Project Corporations, when the Joint Project Corporation is given permission to use them. However, some of the agreements relate to roofs owned by private individuals, municipalities and local authorities, who rent the roofs to the Joint Project Corporations.

The following describes the main provisions of the authorization agreements[69]:

The authorization agreements are between the Joint Project Corporation (and in the case of systems fully owned by the Company - sometimes between the Company) and the owner of the rights in the land in which the systems are to be built (hereinafter in this section: the "**Holder**").

For the most part, the period of use begins on the date of handing over possession of the leased property and ends 24 years and 11 months from the date of handing over possession of the leased property, the connection to the electricity grid, the signing of the lease agreement, the start of operations, the notification of winning the tender by virtue of which the systems were established, obtaining a production license, signing an agreement with the IEC or the start of electricity production, as the case may be.

Also, some agreements give the property owner (mainly local authorities) the right to order the dismantling of the system and its reassembly in favor of construction work on the roof.

For the use of the leased property, the Joint Project Corporation undertakes to pay the Holder a usage fee that varies from leased space to leased space. The usage fees range from a fixed annual payment, a fixed payment per 1 kilowatt installed, a fixed payment per square meter, a fixed percentage of the Joint Project Corporation's revenues, sometimes according to the higher or according to the lessor's choice, and sometimes also free of charge. In some agreements, the Holder is also entitled to a one-time payment in a fixed amount or a fixed amount for each system. In some of the agreements (mainly systems assigned to local authorities' facilities) there is an obligation to provide a bank guarantee for the entire term of the agreement.

In most of the agreements in which the systems are fully owned by the Company, the Holder undertakes to purchase from the Company the entire amount of energy produced in the systems, according to the electricity meter, at the applicable time of use tariff rate for the customer, assuming that it is agreed by the parties in the relevant tariff regulation.

[69] The provisions set forth below include the main provisions applicable in most transactions. Naturally, there is a certain difference between the various agreements.

In projects where there is no overlap between the owner of the leased rights and the registered electricity consumer, a separate agreement is signed with the relevant consumer, which regulates the terms of electricity purchase by the lessee.

As part of the agreements, it is stipulated that the leased property will be handed over to the Joint Project Corporation, in its as is condition, when the Joint Project Corporation will carry out, at its own responsibility and expense, all the necessary adjustments and operations for the licensing, construction, operation, running and maintenance of the systems in the leased area, including their connection to the electricity grid and regulation of activity the production of electricity, and will act on its own responsibility and at its own expense to obtain all the permits, approvals and licenses required for the establishment, connection, operation and maintenance of the systems, and will bear the costs of production and supply of electricity to the distribution grid and insurances for the entire contract period.

The Joint Project Corporation undertakes to act in accordance with the provisions of any law in relation to the leased property and its use, and to indemnify the Holder for any damage, spoilage, loss, harm or injury caused to it or anyone on its behalf due to the use of the leased property and as a result of an act or omission of the Joint Project Corporation.

Some of the agreements include a right for the lessor to cancel the agreement, by giving advance notice, in cases such as: a breach or a material breach that has not been corrected, insolvency proceedings, failure to provide a guarantee, criminal proceedings, failure to pay payments in full and on time, transfer of rights contrary to the agreement, to the extent that the lessor needs the premises for the purpose of construction of an additional floor for rent or in the case of shading which substantially reduces the output. In some agreements, early termination that is not due to a breach is conditional upon the payment of liquidated damages. Also, in some agreements, the lessor has the right to terminate the rental agreement at its discretion, in the vast majority of cases against the payment of compensation calculated on the basis of a formula set forth in the agreement.[70]

Usually, at the end of the contract period, the Joint Project Corporation must clear the systems from the leased area and return it to the condition it was in at the start of the lease in good and proper condition. Sometimes it is determined that the ownership of the systems and the rights arising from them passes to the Holder (for consideration, not for consideration, and sometimes only for symbolic consideration). Also, in some of the agreements there is an option for the lessor to take ownership of the facilities at the end of the agreement period and/or after the termination of the agreement, and in some of them there is an option for the property owner to choose to purchase the system according

[70] Such as a payment in the amount of the expected receipts from the IEC until the end of the agreement period when they are capitalized according to the formula established in the agreement, the cost of construction of the system, the cost of construction minus amounts received up to that date, the cost of paying off the balance of the debt to the bank plus the cost of dismantling the system, etc.

to its value or to continue operating the system in partnership when the profits will be divided between the parties 50% - 50%.

In some of the agreements it is stipulated that the Joint Project Corporation may terminate the agreement at any time, for any reason and without giving reasons, by giving written notice to the holder. Other agreements specify events and circumstances that give the other party the right to terminate the agreement.[71]

Most of the rights of the joint corporations by virtue of the lease agreements are pledged in favor of the banking corporation that provided financing against the pledge of rights in the project.

The total rental fees paid by the Joint Project Corporations in 2021 and 2022 amounted to NIS 13,712 and 17,585 thousand, respectively.

3.1.12 Raw materials, equipment and suppliers

As mentioned above, the construction activity (EPC) as well as the operation and maintenance (O&M) of most of the systems held by the Group Companies are carried out through the Company, as part of the field of construction and maintenance activities. For details regarding the terms of the construction agreements, the operation and maintenance agreements, as well as the raw materials and suppliers used by the Group Companies for the construction of the photovoltaic systems, see Sections 3.2.2 below, respectively.

[71] Such as: failure to complete the construction of the systems by the date specified 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, failure to close the financial loan or the lack of economic viability of its terms, reduction of the rate paid for the electricity produced in the systems, a technical failure that does not allow the operation of the systems, a decision to dissolve the joint corporation, the conversion of the agreement without the Holders' consent, a material breach of the agreement, irreparable safety, environmental or health reasons, the Holder's decision to change the land's purpose or increase the building rights (for this matter, subject to the payment of compensation), expropriation of areas of the land, etc.

3.2 The Field of Construction and Operation in Israel of photovoltaic systems, storage systems and vehicle charging systems

3.2.1 General information on the field of activity

3.2.1.1 Structure of the field of activity and changes therein

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

a) Construction (EPC) of photovoltaic systems, storage systems and vehicle charging systems by the Group, itself and through subcontractors for the developers of the system.

This is a contracting agreement for the planning, licensing, procurement and construction of the system until the successful connection to the distribution grid, on a turn-key basis, which regulates the relationship between the Group as the construction contractor of the system and the owner (developer) of the system. This activity is mainly combined with the activity of initiation and investment in Israel in such a way that, as of the Report Date, the main activity of setting up the systems is carried out for developers and owners who are the joint project corporations held by the Company in cooperation with its partners.

Also, an immaterial part of this field of activity includes the establishment, operation and maintenance of systems that are fully owned by third parties (who are not the joint project corporations)[72] and of systems that are owned by the Company and corporations under its control.

b) Operation and maintenance (O&M) of systems by the Group, itself and through subcontractors, for the owners of the rights in the system.

This activity is carried out by virtue of the operating agreement for the operation and ongoing maintenance of systems whose construction has been completed and which are in commercial operation. This agreement regulates the relationship between the Company as a provider of operation and maintenance services of the system and the owner of the rights to the system.

[72] This activity is also carried out with the aim that in the future the owners of these systems will cooperate with the Company to establish systems that will be held jointly by the Company and these third parties.

As a rule, operation and maintenance services are ancillary to the establishment of the systems by the Group as part of an overall response to the establishment and support of the system. Also, most of the aforementioned services are provided to the systems held by the corporations of the joint project in the field of initiation and investment in Israel, while an insignificant part of the aforementioned services are provided to the systems held by third parties (including systems established by third parties). As of the Report Date, the Group has the operating agreements in relation to systems in commercial operation and ready to connect with a total scope of approximately 289 megawatts.

For more details about the establishment of the systems and the operation and maintenance services and the characteristics of the contract in the EPC agreement and the operation agreement, see Section 3.2.2 below.

3.2.1.2 Restrictions, legislation, regulations and special circumstances applicable to the field of activity

As part of the construction activity, the Group is required to comply with the requirements and characteristics of the established system, in accordance with the various regulatory constraints applicable to the system, as the case may be, by virtue of the terms of the relevant regulation, the conditions of the various building permits and licensing applicable to the systems, as relevant, including as detailed in Section 4.9 below, and under the constraints of schedules required for setting up the systems, if any.

For details regarding the subordination of the activity, if relevant, to regulation in the field of licensing, planning and construction, engineering and contracting works and electrical works and safety at work, see Section 4.9 below.

3.2.1.3 Changes to scope of activities in the field and profitability

As mentioned above, most of the construction and maintenance activities are carried out for the Group Companies (the Joint Project Corporations). Accordingly, the significant increase in the volume of activity in the field of initiation and investment in Israel in recent years has also resulted in a corresponding increase in the volume of the field of construction and operation in Israel.

In addition, following the increase in the volume of electricity storage systems and charging stations that the Group Companies initiate in Israel, during the past year, there has been a significant increase in the Company's income from the establishment of electricity storage systems and charging stations.

As for 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, in view of the increase in competition, which obliges the Company to share with its partners the profits of the construction and maintenance activities.

3.2.1.4 The developments in the markets of the area of operations or changes to the customer characteristics

Following the expansion of electricity generation activity through individual producers as part of a legislative and regulatory reform, in recent years the supply of private producers who produce and transmit electricity in Israel to the distribution grid through photovoltaic systems and storage systems has increased as an alternative to generating conventional electricity in Israel. In addition, following the increase in electric vehicles in Israel as well as the expectation of continued growth, there has been an increase in the demand for charging stations for electric vehicles. It should be noted that following the transfer of the Company's focus to the solar and storage activities abroad, as well as the continuation of the aforementioned trends, in the Company's estimation, in the coming years a change is expected to occur in the mix of the Company's revenues in the field of activity.

3.2.1.5 **Technological changes that may have a material impact on the segment**

Technological changes in the field of renewable energy as specified in Section 3.1.1.4 above, may increase the demand for services for the establishment, upgrading and maintenance of photovoltaic systems and storage systems. In addition, technological changes in the field of vehicle charging, as well as increasing the driving range of electric vehicles, may lead to an increase in demand for charging stations.

3.2.1.6 **Critical success factors in the field of activity and changes therein**

The Company estimates that the critical success factors in the field of activity are:

3.2.1.6.1 Know-how, reputation and experience in the field, which enable the establishment of projects according to the customer's needs, while maintaining competitive prices alongside striving for profitability.

3.2.1.6.2 Financial strength in combination with optimal conditions for receiving external financing and advances from the work client, for the purpose of setting up the systems at a low cost.

3.2.1.6.3 Supporting regulations that allow the establishment of additional systems.

3.2.1.6.4 Professionalism and efficiency in the field of planning, licensing, procurement and construction, which will ensure the completion of the projects on time and with maximum output in accordance with the field conditions, the technical data, and the other constraints in each project, paying attention to the needs of the work client.

3.2.1.6.5 Personnel with knowledge and experience in the field of activity.

3.2.1.6.6 The ability to monitor and control, in real time, and ongoing maintenance at a high level, in order to locate and quickly correct deficiencies and malfunctions in the performance of the systems, and to optimize the production, supply and charging of electricity during the operating period, in accordance with the needs of the work customer.

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

For details, see Section 3.2.9 below.

3.2.1.8 Main entry and exit barriers of the area of activity and changes therein

3.2.1.8.1 Entry barriers

- Knowledge, expertise and experience - The activity of setting up and maintaining the systems involves accumulated knowledge, expertise and proven experience in terms of professional planning and licensing capabilities, the ability to perform engineering and electrical work, knowledge of the relevant suppliers for the various components, as well as compliance with constraints for the establishment and maintenance of the systems, in accordance with the regulation and requirements of the work customer, which require training and nurturing of the Group's human capital.
- Licensing - The construction and maintenance activity involves licensing, classifications and authorizations in relation to the various works, as detailed in Section 3.2.1.2 above and Section 4.9 below.
- Access to funding sources/financial stability - The execution of the construction works involves the procurement of raw materials and the employment of workers and professional subcontractors in substantial financial volumes throughout the period of the construction of the systems and the provision of performance and inspection guarantees in favor of the work customer.

3.2.1.8.2 Exit barriers

The Company's ability to release itself from the construction agreements and the 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 warranty for relatively long periods of up to 10 years for some of the system components, and contractual sanctions, such as the forfeiture of performance guarantees and inspection guarantees, as well as compensation arrangements in the event of a violation.

3.2.1.9 Alternatives to the products in the field of activity and changes therein

See Section 3.1.1.8 above.

3.2.1.10 The structure of the competition in the field of activity and the changes therein

See Section 3.2.7 below.

3.2.2 Products and services

As mentioned above, the field of activity includes two types of activity:

3.2.2.1 **Construction activity (EPC) of photovoltaic systems, electricity storage systems and vehicle charging systems** by the Group, itself and through subcontractors, based on a contracting agreement for the design, licensing, procurement and construction of the system on a turn-key basis.

The construction agreement regulates the relationship between the Company as the construction contractor of the system and the developer at the construction sites of the system who acquires rights in the system. The aforementioned developers may be third parties, the joint project corporations with partners (or the Company itself in relation to projects held by the Company itself and/or through controlled corporations). The construction activity mainly includes the following elements:

a) **Construction planning and licensing works** - Preparation of engineering and electrical plans, blueprints, environmental and hydrological documents, building permit applications, etc. Complex licensing processes (such as approvals of the ILA, planning and construction committees, firefighting authorities, Water Authority, Ministry of Health, Ministry of Agriculture (in relation to fishponds), the Antiquities Authority (in relation to vehicle charging systems) etc.) are done in cooperation between the developer and the Company as a contractor.

The planning of the systems is done with an emphasis on long-term energy utilization efficiency of the system based on procurement and integration of high quality products and advanced technology. The planning includes, among other things, maintenance planning of the system, and sometimes in relation to solar systems. also the integration of an automatic washing system of the solar panels.

b) Procurement of equipment and construction works - The construction works include infrastructure preparation (preparation and upgrading as needed of physical infrastructures, including the execution of evacuation works, sealing, strengthening of roofs and buildings, excavations and upgrading of electrical infrastructures, as needed), installation and synchronization of all system components purchased, in accordance with the required characteristics, and their successful connection to the grid. This activity also includes replacement and/or upgrading of existing systems. The execution of the works is in accordance with plans approved by the developer.

The main characteristics of the construction agreements in relation to the above construction services will be described below[73]:

(1) The Company is responsible in some of the engagements for obtaining all the approvals and

[73] The provisions listed below include the main provisions applicable to most agreements. Naturally, there is a certain difference between the various agreements.

permits, including the IEC approval, for the purpose of setting up the system and sometimes also for obtaining the necessary financing for the setting up of the system, within the time period specified in the agreement. Usually, the Company provides interim financing until the financing is received. As for photovoltaic systems, the construction period that the Company is obligated to meet is usually within a range of up to 12 months from the date of approval of the construction plan in relation to systems installed on roofs and reservoirs and up to 12 months from the date of receiving the building permit. Failure to meet the schedules for the construction of the system may give the developer grounds to terminate the construction agreement. In the aforementioned case, the Company alone bears all the costs incurred by it.

(2) The Company is obligated to purchase, at its own expense, construction work insurance policies that include third-party liability coverage and employers' liability insurance as well as product liability and professional liability insurance policies for periods that vary from agreement to agreement, not less than 6 years after the completion of the construction of the system, all at the fixed amounts in each of the agreements.

(3) The consideration that the Company is entitled to receive is fixed, derived from the capacity of the established system or derived from the cost of the construction plus an agreed margin, according to the circumstances. The proceeds are paid to the Company in accordance with the milestones stipulated in the agreements (usually for solar systems - up to 10% is paid as an advance, between 70% and 85% is paid during the construction works (divided into a number of milestones that include the installation of infrastructure and the establishment of the construction, 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 when the system is connected to the electricity grid, against the transfer of ownership of the system to the developer; and for storage systems - usually 50% of the cost of the storage system at the time of its order and the balance throughout the construction period until the date of commercial operation; and for vehicle charging systems - usually 30% at the time of signing the agreement and 70% at the time of completion of the construction and operation of the system).

(4) In most cases, the Company gives the solar systems a warranty for the quality of the system construction work (inspection warranty) for a period of 2 to 5 years, a warranty for the solar panels for a period of 10-12 years, a product warranty for a period of 20 to 25 years, a warranty for converters and constructions for a period of 5 to 10 years, system product warranty and system performance warranty. Sometimes, providing the warranty for a period longer than the aforementioned inspection period is subject to entering into a maintenance agreement with the Company. The possession of the system for all the risks involved, with the exception of the aforementioned liability, passes to the work customer upon completion of construction and connection of the system to the electricity grid. Regarding vehicle charging systems, the

Company provides an inspection warranty for a period of 12 months from the date of completion of the installation work, after which the warranty for the charging stations will be in accordance with the terms of the relevant manufacturer's warranty.

(5) The construction agreements for the solar systems include technical specifications and estimated power of the system. Most of the time, the Company commits to a minimum output of the system during the quality warranty period, subject to entering into a maintenance agreement. Also, sometimes the Company's warranty for said output is for longer periods (until the end of the maintenance agreement or 25 years, as detailed in Section 3.2.2.2 below).

(6) Some of the agreements include a commitment by the Company to pay agreed compensation for a delay in the delivery of the system, calculated according to the number of days of the delay or the guaranteed daily output of the system, as the case may be, as well as for insufficient performance of the system during the warranty period.

(7) In most of the construction agreements for the solar systems, the Company undertakes to provide the customer with performance guarantees in the amount of 5% to 10% of the proceeds of the construction services and quality/testing guarantees in the amount of 5% to 10% of the proceeds of the construction services during the warranty periods (usually for two years and sometimes for longer periods but no more than the warranty period). In some of the agreements, the Company undertakes, in case of defects affecting the output of the systems, to extend the validity of the quality warranty.

(8) In most of the construction agreements, there is a limitation of the Company's liability according to the construction agreement up to the amount of the contractual consideration for the construction (however, sometimes in higher amounts) or in accordance with the content of the insurance coverage of the project, as the case may be, as well as clauses waiving the subrogation right and exemption in relation to the client of the work within the framework of the insurance arrangements.

(9) The Company is not allowed to assign and/or pledge its obligations and rights according to the construction agreement of the solar systems and the storage systems, but is allowed to engage with subcontractors for the purpose of exercising its obligations according to the construction agreement. On the other hand, most of the construction agreements for vehicle charging systems allow the Company to transfer and/or assign its rights under the construction agreement, subject to the fact that the transferee assumes all of the Company's obligations under the agreement.

3.2.2.2 **The operation and maintenance (O&M) activity of the systems** is performed by the Group, itself and through subcontractors, for the owners of the rights in the system, based on an agreement for ongoing operation and maintenance of the system that is in commercial operation. This agreement regulates the relationship between the Group as a provider of operation and maintenance services of the system and the owners of the rights in the system. For the most part, the operation and maintenance services accompanying the system construction services are provided as part of a comprehensive solution that the Company offers for setting up and supporting the system. However, sometimes these services are also provided to systems not established by the Group.

The operation and maintenance services of the photovoltaic systems include liability for control and monitoring of the system's performance, including the monitoring of electricity generation on a regular basis and output control; regular maintenance of the system and maximizing its performance, through routine preventive care (such as periodic checks of the system and preventive care to prevent malfunctions, wear and tear, and decreased output, including periodic washing of the solar panels); handling malfunctions (including replacing spare parts, managing the interface with the various equipment manufacturers, etc.); and fulfilling the Company's responsibility according to the construction agreement and assisting in fulfilling the manufacturer's warranty.

The main characteristics of the operation and maintenance agreements for the photovoltaic systems and the storage systems will be detailed below[74]:

(1) The term of the maintenance agreements for the solar systems and the charging systems is usually for initial periods of 2-5 years with automatic extension every year, subject to the developer's right not to renew the agreement or to terminate it during the contract period for acceptable grounds, including non-operation of the system. The term of maintenance agreements for vehicle charging systems is usually between 6 and 10 years.

(2) During the term of the agreement, the Company is obligated to ensure the continuous operation of the solar system and the availability of the solar system at a capacity that does not fall, as a rule, below 98% of the output of the established system, except if damage is caused to the system outside of/due to the Company's operation and maintenance services in relation to the system.

(3) The Company is obligated to purchase activity risk insurance policies at its own expense, including coverage of professional and product liability insurance, third party liability insurance and employers' liability insurance, which will apply during the entire term of the agreement and in relation to the vehicle charging systems also for no less than 6 years from the date of

[74] The provisions listed below include the main provisions applicable to most agreements. Naturally, there is a certain difference between the various agreements.

establishment of the system.

(4) In most of the agreements, the main consideration to which the Company is entitled for the maintenance of the solar systems and the storage systems is derived from the installed capacity of the system (according to a fixed rate per unit of power). The consideration for the maintenance of the charging stations is based on a fixed payment. The proceeds are paid to the Company on an ongoing basis (usually on a quarterly basis and for charging systems - usually on a monthly basis). In respect of a decrease in the guaranteed capacity of the solar system, the developer is entitled to an agreed compensation according to the rate of decrease in output.

(5) Most operating agreements have a limitation of the Group's liability up to the amount of the contractual consideration or in accordance with the content of the Company's insurance coverage, as the case may be, as well as clauses waiving the subrogation right and exemption in relation to the client of the work within the framework of the insurance arrangements.

In the Company's estimation, the increase in the scope of the Group's connected projects in Israel is expected to lead to an increase in the Company's revenue from maintenance services. In addition, an increase in the scope of the storage projects and charging systems is expected to lead to an increase in some of the Group's revenues. For additional information, see Section 3.1.5.

3.2.3 Segmentation of income from products and services

Below is the segmentation of the Company's revenues in the field of activity, for the years 2021 and 2022, in relation to services with similar economic, business or performance characteristics in the field of activity in which the proportion of the Company's revenues from each of the main ones constitutes 10% or more of the Company's total revenues:

	2022	% of the Company's income	2021	% of the Company's income
Setting up the systems on roofs	122,762	41%	109,377	31%
Construction of the systems on water reservoirs	84,141	28%	184,411	52%
Construction of electricity storage systems	70,612	23%	48,470	14%
Other	24,683	8%	9,485	3%
Total revenue	302,198	100%	351,743	100%

3.2.4 Customers

3.2.4.1 Customer mix

As of the Report Date, the Company has over 100 customers 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 holders of the rights in the land (mainly kibbutzim and business entities with significant real estate (mainly industrial and real estate companies)).

In 2021 and 2022, the Company did not have substantial clients or very substantial projects in the field of activity. Also, the Company is not dependent on a single customer or a limited number of customers in the field of activity.

In the Company's estimation, the termination of the Company's engagement with a particular client will not have a material impact on the Group's business, both due to the substantial dispersion of the Company's clients in the field of activity and due to the part of the field of activity in the Group's total activity.

3.2.4.2 Customer types

Below are data about the distribution of the Company's revenues from its customers in 2021 and 2022, broken down by customer types:

Customer type	The Company's income in the field of activity	
	2022	2021
Joint project corporation*	287,319	**339,219**
Third parties	14,879	**12,524**
Total	**302,198**	**351,743**

* These revenues constitute fixed assets in the project corporations in the field of initiation and investment in Israel of the Company.

3.2.4.3 Customer seniority

The activity of establishing the systems in the field of activity is characterized by a project relationship within the framework of the construction agreements, which is short-term and non-recurring in nature, until the upgrade or replacement of the system, as needed, in the longer term, if performed. On the other hand, the operation and maintenance activity (which is usually provided in relation to the systems established by the Company) is long-term by nature and usually continues throughout the life of the system. Therefore, the vast majority of the Group's customers in the field of activity (which are mostly the Joint Project Corporation), are regular customers.

3.2.5 Marketing and distribution

The marketing activity in the field of activity is mainly based on the marketing efforts in the field of initiative and investment in Israel with the partners in the Joint Project Corporation. For details see Section 3.1.7 above.

3.2.6 Order backlog

Below is the backlog of the Group's orders (for binding orders for which income has not yet been recognized in the Company's financial statements) segmented according to the expected income recognition period (not including the execution of works to construct the systems fully owned by the Company and/or corporations under its control):

Period of recognition of expected income (*)	Order backlog(**) As of December 31, 2022 (NIS thousands)	Backlog of orders as of the Report Date (in NIS thousands)
First quarter 2023	4,735	---
Second quarter 2023	2,900	2,900
Third quarter 2023	4,193	4,193
Fourth quarter 2023	3,489	3,489
2024	17,000	17,000
2025	19,000	19,000
Total	51,317	46,582

(*) For details regarding the income recognition policy in the field of activity, see Note 2 of the Company's financial statements.

(**) The backlog of orders includes receipts that the Company is entitled to receive by virtue of construction agreements (EPC), which received all the approvals required to start their construction and receipts that the Company is entitled to receive by virtue of operation agreements (O&M) until the end of the agreement period.

The backlog of orders for 2023 includes expected revenues from operating agreements for systems in commercial operation/after construction.

Below is the Group's order backlog as of December 31, 2022 compared to previous years (in NIS thousands):

December 31, 2022	December 31, 2021
51,317	292,127

The Company's revenues from construction and maintenance in 2022 amounted to approximately NIS 286 thousand. The decrease in the volume of revenues in relation to the amounts included in the order backlog is due to delays in the completion date of the construction of the various projects.

3.2.7 Competition

Since the construction and maintenance activity is intended first and foremost for the execution of construction and maintenance work for corporations owned by the Group Companies, the competition in the field is in relation to locating land, roofs and reservoirs for the construction of systems. For details regarding the Company's main methods of dealing with the competition and the positive and negative factors affecting its competitive position, see Section 3.1.8 above.

3.2.8 Production capacity

The production capacity in relation to the establishment of the system by the Group is relatively flexible, taking into account the availability of inventory and procurement of the system components and the recruitment of subcontractors, in accordance with the needs of the establishment of the systems, the scope of the works and the schedules for their execution.

3.2.9 Raw materials and suppliers

3.2.9.1 The System Components

The main equipment used by the Group Companies for the establishment, operation and maintenance of the systems in the field of activity includes solar panels, the installation infrastructure of the panels (construction), coatings in relation to the systems installed on water reservoirs, electricity storage systems in batteries, converters, management systems, vehicle charging systems, transformers, cables, connectors, electrical cabinets and production meters.

Most of the equipment used to build the system (solar panels, storage systems, vehicle charging systems, converters, as well as coatings for the purpose of building on water reservoirs) was purchased from suppliers abroad (see details in Section 3.2.9.2 below) mainly in the dollar currency, but also in other currencies such as the euro.

The purchase of the equipment from the suppliers is carried out, for the most part, for specific projects and for the needs of ongoing maintenance, on a project basis, according to the types of equipment and the quantities required for each project and its maintenance.

3.2.9.2 Suppliers, service providers and subcontractors

The Company ensures to purchase components for systems from suppliers who, to the best of the Company's knowledge, are leaders, have experience and a reputation in the field. The purchase of the main equipment is carried out, mainly, from the suppliers below:

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

Converter **manufacturers** - SMA (Germany), Kaco newenergy (Germany), SOLAR EDGE (Israel), and SUNGROW (China).

Coating **manufacturers** - Sungrow (China) and Ciel Etere (France).

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

Charging stations - Afcon **(Israel)** and Siemens **(Israel).**

Installation **infrastructure** of the panels (construction) - performed by several contractors in Israel.

In addition, the group communicates with service providers for the preparation of plans, drawings, applications for building permits, etc., as well as with subcontractors for the execution of construction works, which mainly include infrastructure and construction works and electrical works (including clearing, sealing, strengthening roofs and buildings, installing the construction, the panels, the converters, the cables, the electrical panels, connection and wiring of communication and electricity, cleaning, regular maintenance of the systems, etc.).

In the Company's estimation, due to the large number of companies in the world that produce components for systems, which have similar technical **capabilities** to the suppliers from whom the Group purchases the aforementioned components, and due to the large number of subcontractors who carry out construction work for the systems, as well as the Company's experience in building the systems, it has no dependence on any supplier or subcontractor. It should be noted that in order to minimize contracting risks with suppliers and subcontractors even in the short term, the Company maintains relationships with several suppliers and subcontractors in relation to most types of equipment and works.

Below are the main terms of the contract with the raw material suppliers and subcontractors:

Equipment suppliers (mainly panels and converters) -The purchases are made by virtue of framework agreements or on a project basis, in dollar or euro currency, when the payment consists, as a rule, of an advance at a rate of up to about 10% and the balance is paid in cash against the delivery of the equipment or within the terms of an irrevocable letter of credit, within 90 days, as the case may be. Usually the supplier has a pledge on the equipment pending payment of full consideration.

The warranty period given by the panel suppliers for defects in the product is, usually, for periods of 10-12 years for the product, depending on the type of panels. In addition, as a general rule, a warranty is given for the output of the panels until the end of 25-30 years from the date of delivery of the panels, depending on the types of panels, with an agreed rate of decrease in output during the said warranty period. The customary warranty period for converters is, for the most part, between 5 and 10 years, with options for extension to periods of 10 to 25 years. In most cases, the warranty given by the suppliers of the coatings 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 committed 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 USD 84 million, when the payment is comprised of an advance of about 5% and the balance, which is paid in several milestones until the equipment is delivered. According to the agreement, usually the supplier has a pledge on the equipment pending payment of full consideration. In addition, it was determined within the framework of the agreement that the Company (or the Joint Project Corporation, as the case may be), will purchase maintenance services from Tesla in the amounts specified in the agreement.

The warranty period is 15 years. During this period, Tesla provides only a limited warranty, subject to receipt of maintenance services, in relation to a maximum cumulative discharge rate and a minimum storage rate which decreases every year (up to a rate of 65.5% in the 15th year) subject to compliance with the conditions detailed in the warranty letter. In this context, it should be noted that Tesla's warranty does not cover the full liability of the Company and the full risks involved in operating the storage.

Suppliers of charging stations - The purchase of charging stations is carried out by virtue of purchase orders, against payment of a fixed amount. Usually, the compensation is paid in one payment. Some agreements also include maintenance services for a period as specified in purchase orders (which can sometimes be extended for an additional fee). The warranty period provided by the charging station suppliers is usually up to 24 months, when certain damages are sometimes excluded from the warranty and sometimes the provision of the warranty involves an additional fee. In addition, the scope of the supplier's liability is usually limited to the actual payment.

In this context, it should be noted that the liability of the manufacturers of the panels, batteries and converters does not cover the full liability of the Company and the full 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 terms of the warranty). The Company's financial statements do not include a provision for liability due to the warranty received from the manufacturers of the various parts, the Company's professional liability insurance and an assessment that carrying out repairs does not involve a significant additional cost in terms of manpower.

Subcontractors - Most engagements with subcontractors are determined on a lump sum basis in exchange for a fixed sum[75], where the consideration is paid for the execution of the works according to and subject to compliance with the milestones and schedules detailed in the agreement. Agreements with contractors are usually for the execution of contracting works in connection with infrastructure works and/or construction works for the installation of system parts and/or the execution of electrical works, where the system components (installation infrastructure, including floating systems for the system installed on water reservoirs, as well as solar panels, storage systems and converters) and the construction plans are provided by the Company. Below is the list of suppliers and subcontractors from whom the volume of orders placed by the Group, for the supply of equipment and materials and/or for the performance of works, as the case may be, in 2021 and 2022, represented 5% or more of the Company's cost of sales during the aforementioned periods:

[75] A lump sum agreement is a contract to perform work and/or provide a service in exchange for a total and fixed amount. The lump sum price expresses the assessment of the work performer or the service provider in relation to the quantities that will be required to perform the works and/or services in the project, in such a way that the total price to be paid does not depend on the quantities that will actually be carried out (whether they will be higher or lower than the estimate).

Name of Supplier / Service Provider	Supplier / service provider type	Order rate of the Company's sales and service costs		Form of Engagement
		2022	2021	
Supplier A	Manufacturer of photovoltaic panels	---	10%	See Section 3.2.9.2 above
Supplier B	Subcontractor for systems construction	9%	13%	See Section 3.2.9.2 above
Supplier C	Coating manufacturer	---	5%	See Section 3.2.9.2 above
Supplier D	Manufacturer of photovoltaic panels	5%	---	See Section 3.2.9.2 above
Supplier E	Subcontractor for systems construction	8%	9%	See Section 3.2.9.2 above
Supplier F	Logistics services	10%	7%	See Section 3.2.9.2 above
Supplier G	Subcontractor for systems construction	---	6%	See Section 3.2.9.2 above
Supplier H	Manufacturer of storage systems	32%	---	See Section 3.2.9.2 above
Supplier I	Manufacturer of converters and electrical materials	9%	---	See Section 3.2.9.2 above

3.3 The field of initiation and investment in renewable energies abroad

3.3.1 General information on the field of activity

3.3.1.1 General

The Company's activity within this field of activity focuses on the initiation, financing, establishment, operation and holding of renewable energy projects in the solar field, electricity storage in batteries and wind in the USA, Poland, Romania, Spain, Italy, England, Greece, Serbia and the Czech Republic.

The Company's activity in the field of activity is based on establishing or entering a development platform in a certain country or geographic region, with the aim that the platform will initiate, develop, build, finance, own and sell projects of the type stipulated in the agreement with the partner. With the establishment of the platform or the entry of the Company, the Company works to establish a local team (or enter into service agreements) which is responsible for carrying out the activities of the platform and creating value in the project.

It should be noted that similar to the activity in Israel, where the Company focuses on setting up projects by virtue of arrangements characterized by high tariffs, 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 USA - As mentioned above, as of the Report Date, the Company's activity in the USA is carried out through Blue Sky, which is 67% held by the Company and engages in the initiation, development, licensing, financing, engagement with tax partners, planning, management, construction and holding of solar projects on the roofs of commercial buildings and storage systems in the USA. Blue Sky's activities focus on collaborations and contracts mainly with REIT funds that own hundreds of commercial real estate assets (the "**Real Estate Companies**"), in setting up solar systems on the roofs of their properties and selling the electricity produced by them to the tenants of the Real Estate Companies, at a rate based on the retail rate.

During the period from the date of the purchase of the Blue Sky holdings by the Company, Blue Sky acted, mainly to increase the portfolio of projects initiated, entering into agreements in principle with REIT funds regarding the establishment of systems in their territory, and submitting connection requests for various projects. For details regarding the Blue Sky systems, see Section 3.3.1.4 below. For details regarding the purchase agreement of holdings in Blue Sky, see Section 4.7.4 below and the Company's immediate report dated May 25, 2021 (reference no.: 2021-01-029851), included herein by way of reference.

The initiation activity in Spain - As mentioned above, the initiation activity in Spain is carried out through Noy-Nofar Europe, in cooperation 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 chapter of the Description of the Corporation's Business in the 2020 Periodic Report, which is included in this report by way of reference. As of the Report Date, the Company holds, through Noy-Nofar Europe, the Olmedilla and Sabinar projects, which are solar projects in Spain with a capacity of approximately 169 and 238 megawatts respectively, and is also engaged in the development of wind, solar and storage projects near the Sabinar and Olmedilla projects. As of the Report Date, the Olmedilla project as well as about 155 megawatts from the Sabinar project are in running processes and the Sabinar II project with a capacity of 83 megawatts is undergoing construction procedures. In addition, the project companies of Sabinar and Olmedilla entered into PPA agreements in connection with the sale of the electricity produced in the systems.[76]

It is noted that as part of the running procedures of the Olmedilla and Sabinar I project, during the first quarter of 2023, a technical fault occurred in the substation of the Olmedilla and Sabinar projects, which necessitated a complete stoppage of the flow of electricity to the grid. It is noted that in the Company's estimation, loss of revenue as a result of the stoppage of the flow to the grid will be covered under the warranty and obligations of the construction contractor. Therefore, in the Company's estimation, despite the expected decrease in revenues from the sale of electricity in the first quarter of the year, the aforementioned stoppage of flows is not expected to cause financial damage to the Company (since the Company is expected to receive compensation equal to the loss of revenues).[77]

Initiation activity in Italy - The Company's activity in Italy is carried out through Sunprime, which deals with the development, planning, licensing, construction and operation of photovoltaic systems on roofs in Italy and in ground systems, which operate by virtue of a tender procedure carried out by the Italian Electricity Services Authority (GSE) for the sale of electricity in the form of differential agreements (Contract for Differences) as well as additional ground systems. As of the Report Date, the average tariff of the systems promoted by Sunprime that won the GSE tenders is about EUR 93 per megawatt.

During 2022, Sunprime increased its project backlog to approximately 475 megawatts, of which approximately 204 megawatts were awarded in GSE tender procedures and the remainder are in various stages of development, beginning with the construction work of the projects that won the first tenders and even completed construction of about 47 megawatts. At the same time as these actions,

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[76] For details regarding the electricity sales agreements, see immediate reports published by the Company on April 3, 2022 (reference no. 2022-01-035163) and August 8, 2022 (reference no. 2022-01-099826), which are included herein by way of reference.

[77] The Company's estimates regarding the scope of the compensation expected from the EPC contractor following the cessation of the electricity supply to the grid is forward-looking information, as this term is defined in the Securities Law, 5728-1968, based on the conditions of the Construction Agreement, the performance guarantees provided by the EPC contractor, and the liquidated damages set in the Construction Agreement. However, these estimates may materialize differently from the Company's estimates, including materially, due to factors that are not necessarily under the Company's control.

at the Report Date, Sunprime is engaged in the initiation of additional projects in Italy. In addition, in November 2022, Sunprime engaged and made the first withdrawal of financing for the establishment of solar projects in the amount of up to EUR 150 million.[78]

As of the Report Date, Noy Nofar Europe owns 55% of the rights in Sunprime and has the right to increase its holdings to 60% of Sunprime's issued capital. For details regarding the agreement to purchase the holdings in Sunprime as well as a loan and investment agreement from March 2023, see immediate reports published by the Company on February 1 and 7, 2021 (reference no. 2021-01-012418 and 2021-01-015135) and March 15, 2023 (reference no. 2023-01-027261), which are included herein by way of reference.

The initiation activity in Poland - The main activity of the Company in Poland is carried out through Electrum Nofar, a corporation owned 80% by Nofar Europe and 20% by Electrum SP. Z OO ("**Electrum**"), which to the best of the Company's knowledge is an engineering, construction and maintenance company in the field of energy in Poland, which 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 on a significant scale, and in particular in the field of renewable energy (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 financing required for its activity (including for the development of the projects and providing the equity that will be required as part of the financing agreements).

As of the Report Date, Electrum Nofar has a backlog of solar projects and storage projects in various stages of development and construction with a total capacity of approximately 478 megawatts and approximately 1,400 megawatt hours. In addition, as of the Report Date, Electrum works for Electrum Nofar to initiate and locate additional solar projects and wind projects throughout Poland with the aim that they will be held by Electrum Nofar. For details regarding the agreement with Electrum and the terms of transferring the projects to Electrum Nofar, see immediate reports published by the Company on November 21, 2021 (reference no. 2021-01-168729) and March 6, 2022 (reference no. 2022-01-022056), which are included herein by way of reference.

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

[78] For details regarding the financing agreement, see the immediate report published by the Company on November 6, 2022 (reference no.: 2022-01-107304), which is included in this Report by way of reference.

As of the Report Date, Atlantic Green owns the Cellarhead project,[79] which has a connection point with a capacity of 300 megawatts and has a storage capacity of up to 800 megawatt hours, which has received most of the approvals required to start its construction, the Buxton storage project,[80] which has connection points with a capacity of about 30 megawatts -watts and a storage capacity of 60 megawatts per hour, which is under construction. In addition, Atlantic Green entered into an agreement to purchase another storage project, Toton,[81] which has connection points with a total capacity of approximately 130 megawatts and a storage capacity of approximately 260 megawatt hours, which is in advanced development stages, and is also conducting negotiations for the purchase of additional storage projects in the UK. For details regarding the founders agreement of Atlantic Green, see the immediate report published by the Company on December 19, 2021 (reference no.: 2021-01-181458), which is included in this Report by way of reference.

During the years 2021 and 2022, Noventum engaged in building a local management team and initial initiation of projects. As of the Report Date, Noventum is engaged in the development of a backlog of solar projects and wind projects in the UK with an estimated capacity of approximately 543 megawatts, and is also conducting negotiations for the purchase of additional solar projects in the UK at various stages of development.

Romania - During the years 2021 and 2022, the Company worked to establish a local initiation platform in Romania (Nofar Energy SRL) which is responsible for initiating, locating, developing, purchasing, setting up and financing solar projects and wind projects in Romania. Also, during 2022, the Company entered into several agreements for the purchase of projects: Iepuresti with a capacity of approximately 169 megawatts,[82] Corbii Mari with a capacity of approximately 256 megawatts,[83] Ghimpati with an estimated capacity of approximately 130 megawatts[84] and Slobozia with a capacity of approximately 72 megawatts. In addition, as of the Report Date, Nofar Energy SRL is engaged in initiating solar projects and wind projects in Romania, at the same time managing negotiations for the purchase of several additional projects in Romania.

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[79] For details regarding the Cellarhead purchase agreement, see the immediate reports published by the Company on December 19, 2021 (reference no.: 2021-01-181458) and February 22, 2023 (reference no.: 2023-01-016849), which are included in this Report by way of reference.

[80] For details regarding the Buxton purchase agreement, see the immediate reports published by the Company on April 28, 2022 (reference no.: 2022-01-042828) and February 22, 2023 (reference no.: 2023-01-016849), which is included in this Report by way of reference.

[81] For details regarding the Toton purchase agreement, see the immediate report published by the Company on February 22, 2023 (reference no.: 2023-01-016849), which is included in this Report by way of reference.

[82] For details regarding the Iepuresti purchase agreement, see the immediate report published by the Company on May 3, 2022 (reference no.: 2022-01-044202), which is included in this Report by way of reference.

[83] For details regarding the Cirbii Mari purchase agreement, see the immediate report published by the Company on July 17, 2022 (reference no.: 2022-01-074874), which is included in this Report by way of reference.

[84] For details regarding the Ghimpati purchase agreement, see the immediate report published by the Company on November 9, 2022 (reference no.: 2022-01-108339), which is included in this Report by way of reference.

At the same time, the Company owns, together with Econergy, a solar project with a capacity of about 155 megawatts, which is expected to be connected to the electricity grid in the coming months.[85]

Initiation activity in Serbia and the Czech Republic - During the Report Period, Nofar Europe entered into agreements with local developers in Serbia and the Czech Republic regarding the establishment of a joint initiation platform dealing with the initiation of solar projects in the Czech Republic, Serbia and several other countries in the Balkans. As of the Report Date, the local developers are working to initiate and locate projects in these countries.

The initiation activity in Greece - During the year 2022, the Company was engaged in studying the energy market in Greece and subsequently entered into a conditional agreement to purchase a storage project with a capacity of approximately 200 megawatts (400 megawatt hours), which is in the initial stages of development. In addition, as of the Report Date, the Company is conducting negotiations for the purchase of additional storage projects in Greece (when in relation to projects in initial development with a capacity of approximately 200 megawatts, the Company is in very advanced negotiation procedures).

At the same time as these activities, the Company is examining entry into additional energy markets as well as conducting negotiations to enter into JV agreements or the purchase of solar projects and storage projects in various stages of development.

The main provisions of the founders' agreement between the Company and its partners in the various countries will be described below[86]:

The agreement regulates the activities of the joint corporation, the segments and the geographic areas in which it is active, as well as the share of the parties' holdings in the joint corporation, where as of the Report Date, the share of the Company's holdings in the joint corporation is between 67% and 95% of the joint corporation's rights.

In some agreements, there is a commitment to exclusivity in the joint corporation's activity, from the partner and the Company, and sometimes the commitment is from the partner only.

Also, most of the agreements include instructions regarding the obligations of the parties, where, in most cases, the local partner is responsible for locating potential projects, developing them, obtaining the permits required for their establishment, etc., and the Company undertakes to finance the activities of the joint corporation by way of an interest-bearing shareholder loan at the rates agreed upon between the parties.

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[85] For details regarding the purchase agreement and agreements with Econergy regarding the management of the project company, see immediate reports published by the Company on May 27, 2021 (reference no. 2021-01-031756), July 4, 2021 (reference no. 2021-01-110811) and November 7, 2021 (reference no. 2021-01-094738), which is included in this Report by way of reference.

[86] The provisions set forth below include the main provisions applicable in most transactions. Naturally, there is a certain difference between the various projects.

In most 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 in return for the provision of management and/or development services by it. Also, in Electrum Nofar, it was determined that Electrum (the local partner) has the right to provide the project corporation with construction and maintenance services for the systems promoted by it (in addition to the development services), and a right of first refusal in relation to offers from third parties.

In addition, most of the agreements include provisions regarding the appointment of the directors (when the Company is usually entitled to appoint the majority of the members of the joint corporation's board of directors), the majority necessary to make decisions in the joint corporation, and decisions that are also subject to the consent of the local partner or the directors appointed at its recommendation. In addition, most of the agreements include restrictions on the transfer of the 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). Also, some of the agreements also include a BMBY mechanism, and/or a right of the Company and/or the local partner to require the Company to purchase the local partner's rights in the joint corporation, at a value derived from the mechanism stipulated in the agreement.

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

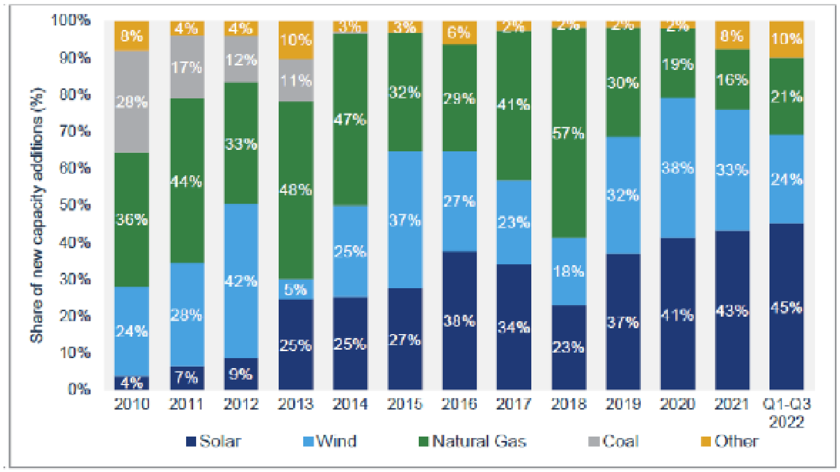
Renewable energy market in the USA

According to reports, the growth rate of the US renewable energy market has slowed in 2022 compared to 2021. This slowdown, despite the massive support in the field of clean energy that was approved in August 2022 as part of the expansion of the Inflation Reduction Act (as will be detailed below), is due to the market conditions that characterized the year 2022, which include price increases, inflation on interest rates and delays in the establishment of planned projects due to the disruption in the supply chain, as well as from two problems that characterized the local market at that time, which included uncertainty surrounding trade policy and delays in connecting projects to the electricity grid.

As a result, according to the publications, during the first eight months of 2022, the increase in the connected capacity of photovoltaic projects in the utility segment was about 5.7 GW and similarly about 7.5 GW for wind projects, which represented a decrease of 26% and 8% respectively in relation to the corresponding period in 2021. Nevertheless, it is important to note that photovoltaic energy production facilities and wind energy facilities constitute almost 70% of the total installed capacity during this period.[87]

[87] "2023 renewable energy industry outlook", Deloitte

In the following graph you can see the rate of new energy production sources each year:[88]



In addition to the above, in recent years and in particular in 2022, US President Joe Biden has worked to encourage the use of clean energy. From the moment Biden took office, the President gave a significant boost to the field of renewables as part of promoting and emphasizing the importance of the climate crisis. Along with the re-entry of the United States into the climate agreement signed in Paris and the adoption of programs to reduce greenhouse gas emissions (Clean Electricity Performance Program) in the energy industry at a rate of 80% by 2030, with a goal of 100% in 2035[89], in August 2022 the President passed the (IRA) Inflation Reduction Act. This is an order that includes benefits in the amount of approximately USD 370 billion for the promotion of green energy and energy saving[90], which include, among other things, the extension of the eligibility period for federal tax incentives for wind and solar projects and their expansion to include storage projects.[91] For further details regarding the IRA regulations most relevant to the Company's activities, see Section 3.3.1.5 below. Also, beyond the federal programs and benefits, a significant number of the states in the US have adopted national programs to encourage the transition to the use of renewable energies (Renewable Portfolio Standard) which include providing benefits and/or incentives to developers for the purpose of promoting renewable energy projects in their states.

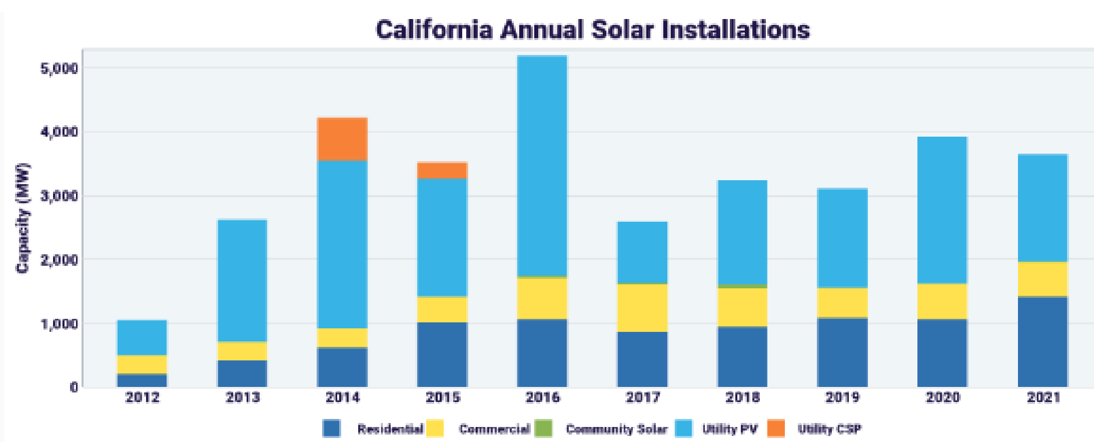
Further to this, according to estimates, in the coming years significant incentives are expected for accelerated growth of the renewable energy market in the US. These include federal incentives embodied in the IRA as mentioned above alongside local policies adopted by 22 states in the US with the aim of promoting green energy, a commitment of most of the utility companies that are owned by

88 "Solar Market Insight Report 2022 Q4", Solar Energy Industries Association (SEIA), December 2022
89 https://www.whitehouse.gov/briefing-room/statements-releases/2021/11/06/fact-sheet-the-bipartisan-infrastructure-deal/
90 https://www.whitehouse.gov/cleanenergy/inflation-reduction-act-guidebook/
91 US Office of Energy Efficiency and Renewable Energy website, Department of Solar Energy: https://www.energy.gov/eere/solar/federal-solar-tax-credits-businesses

investors and operate in the US for decarbonization moves, the growing demand from corporations to purchase renewable energy projects and from private citizens for solar energy in particular, and finally the scope of private investments in renewable projects that reached a record of USD 10 billion. In light of all this, the trend of reducing growth that we have seen in the last year is expected to stop as soon as the restrictions on the supply chain are reduced.[92]

In this regard, it should be noted that in December 2022, the American Commerce Department published preliminary results regarding the investigation against solar products imported to the USA from factories from eight countries in Southeast Asia (including Vietnam, Thailand, Malaysia and Cambodia) on the suspicion that they are illegally circumventing the import limit from Xinjiang Province being actually branches of the factories from Xinjiang Province. According to the publication, products imported from certain factories in the four countries mentioned above do circumvent the import limit illegally, and starting in June 2024 these products will bear taxes in accordance with this finding, in order to allow the companies operating in the American solar market enough time to adjust their activities to the ruling and minimize the impact on the supply chain.[93] To the best of the Company's knowledge, the factories in Southeast Asian countries are the main suppliers of solar system components in the US, and this decision may affect the prices of solar components and their availability.

As of the Report Date, most of the projects promoted by Blue Sky are in the California region. According to publications, California is a market leader in the field of renewable energies, and has been leading market growth in the US for years. The reasons for this include the ideal climate, awareness of renewable energies, setting a target for the transition to energy consumption from renewable sources at a rate of 100% by the year 2045[94], a large consumer population, high electricity consumption as well as a high electricity tariff. According to publications, solar systems totaling



[92] See footnote 88.

[93] Website of Department of Commerce: https://www.commerce.gov/news/press-releases/2022/12/department-commerce-issues-preliminary-determination-circumvention

[94] https://www.energy.ca.gov/sites/default/files/2019-06/REN-DevelopingRenewableEnergy.pdf

approximately 38 gigawatts have been installed in California so far, of which approximately 3.7 gigawatts were installed in 2021, when solar energy provides approximately 27% of the country's energy consumption.[95]

In this regard, it should be noted that in December 2022, the California Public Utilities Commission approved changes to the existing regulation that allows the sale of electricity produced from a solar system to consumers at the point of consumption (Net Energy Metering 3.0), which will enter into force in April 2023. According to the plan, the rate for excess electricity produced from solar systems and fed into the grid will be reduced by approximately 75%, in order to create a more equitable distribution of electricity costs in the country between consumers who have access to solar energy and lower income consumers who do not have access to solar energy. The program also encourages the installation of a storage system alongside the solar system, in order to preserve the value of electricity that is not consumed in real time. Even after the approval of the plan, there are many calls of opposition from consumers and developers in the field of solar energy in California who claim that the new plan significantly harms the economic viability of setting up solar systems, and will harm the further development of the local industry.[96] In this regard, it should be noted that as of the Report Date, it is not clear whether the new program will apply in relation to the Virtual Net Energy Metering projects (on the basis of which Blue Sky operates in California). At the same time, Blue Sky is preparing for the adoption of the new program by submitting applications for connection to the local electricity grid (Interconnection Application) in projects in California, which will give it the option of choosing according to the existing program (Net Energy Metering 2.0) or the new program (Net Energy Metering 3.0) as long as grid connections are installed and approved before April 2023.

Renewable energy market in Spain

The first significant increase in the capacity of solar systems installed in Spain occurred in 2007 and 2008, from approximately 512 megawatts in 2007 to approximately 2,718 megawatts in 2008, mainly thanks to the "feed in tariffs," which involved government subsidies.[97] Starting in September 2008, government policy in Spain gradually changed, with the aim of curbing government spending. The policy change caused, among other things, a change in the results of the solar systems that were established. As a result, in the years 2013 to 2016 there was stagnation in the solar energy market in Spain.[98]

In 2017, there was a change in the government's policy, following the realization that continued stagnation would result in non-compliance with the goals of promoting renewable energy. Accordingly, the government's policy changed to encourage the establishment of renewable energy

95 https://www.seia.org/state-solar-policy/california-solar
96 https://pv-magazine-usa.com/2022/12/15/california-pulls-the-plug-on-rooftop-solar
97 https://www.ree.es/en/datos/generation/installed-capacity. Spain 2020: the road ahead for solar.

systems. According to estimates, the policy change, as well as the decrease in construction costs contributed to the development of the market and the entry of developers, investors and construction companies (EPC).[98]

As a result, in 2019 an increasing trend began in the installed capacity of photovoltaic systems. In the same year, there was an increase of about 4.2 gigawatts in the installed capacity of photovoltaic systems, from about 4.7 gigawatts to about 8.9 gigawatts. As of the end of 2021, the general electricity production capacity installed in Spain already stood at 113.6 GW, of which about 15.4 MW was photovoltaic production (14%) and about 28.6 MW was wind production (25%)[99]. Following this trend, during the year 2022 the production capacity of renewables in the country will increase by about 4.6 gigawatts, of which 1.2 gigawatts are wind projects and 3.4 gigawatts are photovoltaics.[100]

Accordingly, in 2020 and 2021 the scope of production from renewable energies continued to increase and reached about 44% of the total production scope in Spain[101] in 2020, about 47% in 2021. Also, the volume of production from photovoltaic systems accounted for approximately 6.1% of the total electricity produced during this period in Spain in 2020, and approximately 10% in 2021[102] and 2022[103].

Regulatory environment in Spain - government goals for the transition to renewable energy

In 2019, the European Union completed an update of the energy policy "Clean Energy for all Europeans" which established the European regulatory framework necessary to achieve the goals of reducing greenhouse gas emissions in accordance with the Paris Agreement. As part of the policy update, the Renewable Energy Directive 2018/2001/EU was approved, within which a goal was set for the production of electricity from renewable energies at a rate of 32% of the total scope of electricity production by the year 2030. In December 2019, the European Commission presented an action plan (European Green Deal), which includes a variety of policy initiatives aimed at making Europe free of greenhouse gases by 2050[75]. In May 2022, the Renewable Energy Directive 2018/2001/EU was updated as part of the Union's REPowerEU program (COM/2022/230 final), and the renewables target was increased to approximately 45% of the total scope of electricity production by 2030. As part of the program, the Union announced additional support mechanisms aimed at promoting the adoption of renewable energy in the Union countries.[104]

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98 https://www.ree.es/en/datos/generation/installed-capacity. Spain 2020: the road ahead for solar.
99 https://www.ree.es/sites/default/files/publication/2021/07/downloadable/inf_renov_ree_2020EN.pdf
100 https://www.ree.es/en/press-office/press-release/news/press-release/2022/12/wind-and-solar-photovoltaic-electricity-generation-break-records-Spain-2022
101 https://www.ree.es/sites/default/files/publication/2021/07/downloadable/inf_renov_ree_2020EN.pdf
102 https://www.enerdata.net/publications/daily-energy-news/renewables-accounted-47-spains-power-generation-2021.html
103 https://www.ree.es/en/press-office/press-release/news/press-release/2022/12/wind-and-solar-photovoltaic-electricity-generation-break-records-Spain-2022
104 https://energy.ec.europa.eu/topics/renewable-energy/renewable-energy-directive-targets-and-rules/renewable-energy - directive_en

In accordance with the policy of the European Union, the Spanish government is also promoting a plan to increase the scope of use of renewable energies. In order to meet the energy and climate goals set by Spain as part of its commitments to the European Union, in 2019 the MITECO (Ministry of Ecological Transition) presented the National Energy and Climate Plan for the years 2021-2030 (National Energy and Climate Plan) which aims to meet the following goals by 2030: Reduction of 23% in greenhouse gas emissions compared to 1990, consumption of 42% renewable energy out of the total energy consumed, and production of 74% of electrical energy using renewable energy sources.[105]

In accordance with the Spanish National Energy and Climate Plan, the target until 2030 is that the installed capacity of the electricity production systems from solar energy will provide electricity with a capacity of 37 thousand megawatts out of 157 thousand megawatts (that is, about 24% of the total capacity, along with about 32% of the capacity installed being wind systems).[106]

In order to meet its goals, the Spanish government allows producers to sell electricity to the grid at market prices, as part of the general regulation of the electricity market.

From a budgetary point of view, in September 2020 the IDAE (Institute for Energy Diversification and Saving) approved an allocation of EUR 181 million to support projects based on renewable energy. This subsidy is part of an aid package of EUR 316 million that will be distributed by the MITECO to projects in the field of renewable energy to achieve the goals set by Spain in this regard.[107]

In 2021 and 2022[108], following a dramatic increase in the prices of natural gas and electricity, the Spanish government amended[109] a Royal Decree requiring electricity producers from sources that do not emit greenhouse gases to refund a portion of the electricity revenues received by them, according to a formula that weighs the degree of influence of the price received from gas prices in the market. To the best of the Company's knowledge, as of the Report Date, the provisions of the Royal Decree are in effect until the end of 2023. However, there is a possibility that the validity of the regulations will be extended even after this date.

The structure of the electricity market in Spain

The sale of electricity in Spain is carried out by virtue of electricity sales agreements (PPA) or within a competitive electricity trading market (electricity exchange), managed by OMI-Polo Espanol SA, in which private electricity producers are allowed to sell the electricity produced by them. The sale of electricity in the exchange is carried out through a “broker” (who charges a commission at the rate of about EUR 0.3-0.8 per MWh).

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105 https://www.ree.es/en/datos/generation/installed-capacity. Spain 2020: the road ahead for solar.
106 https://www.evwind.es/2019/08/28/request-to-connect-30556-mw-of-wind-power-in-spain/70529.
107 https://www.idae.es/en/node/14631; https://www.idae.es/en/node/14672.
108 https://www.cuatrecasas.com/en/latam/article/spain-urgent-measures-on-energy-royal-decree-law-23-2021.
109 https://www.fieldfisher.com/en/insights/spain-s-royal-decree-law-17-2021-on-natural-gas-pr.

Most of the time, the electricity prices in the electricity exchange are higher than the selling prices set in the PPA agreements. In addition, producers who choose to trade electricity and sell it on the exchange are not eligible to receive various subsidies from the state such as the "feed-in tariff." Accordingly, the risk of changing the regulation for these manufacturers is relatively low. On the other hand, market prices change every day, there is a high variation in electricity prices in the winter months (due to the effect of weather conditions on the production of electricity from renewable energies (mainly hydro and wind) and in any case there is uncertainty regarding their price in the future, which stems from changes in the supply and demand for electricity and fuel prices, which are difficult to predict for long periods.

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

The field of electricity transmission is controlled by a monopoly - Red Eléctrica de España (REE), a company owned 80% by the public and 20% by the Spanish government, which is responsible for planning and carrying out the investments to build the national transmission system.

In the Company's estimation, the main factors that may affect electricity prices in Spain in the coming years are: natural gas prices, the entry of new renewable energy projects, and especially the rate of entry of solar projects that may cause erosion in the electricity rates sold by solar electricity producers during the operating hours of these systems, a change in the demand for electricity consumption, the rate of scrapping of coal and nuclear plants which lowers the supply of electricity and contributes to the increase in electricity prices, the weather (extreme heat and cold conditions which increase electricity consumption) and the rate of decrease in rainfall which increases production in hydroelectric technology. Also, changes in fuel prices, especially natural gas and diesel, may affect the electricity production costs in power plants based on fossil fuels.

Renewable energy market in Italy

To the best of the Company's knowledge, Italy is characterized by a developed electricity market and a multitude of energy production sources, which include electricity production using natural gas, hydroelectric facilities, renewable energies and coal. Also, the country enjoys relatively high levels of solar radiation (mainly in the center and south of the country) and favorable terrain conditions for installing solar energy production systems.

The installed production capacity of Italy for the year 2022 is estimated at 118.4 gigawatts[110], and the amount of actual annual electricity production in that year was estimated at 276 terawatts[111], of which about 100 terawatts are from renewable energy sources.[112]

Until 2008, the installed capacity of photovoltaic systems in Italy was below 100 MW. During the following years, there was an acceleration in the growth of the installed capacity, which in 2010 reached more than 3,000 megawatts. The year 2011 was a boom year in the field of solar energy, during which the largest growth in installed capacity was recorded, with an increase of over 9 gigawatts[113], which was four times the amount of electricity supplied in 2010. Following this, between the years 2011-2012 there was an increase of approximately 75% in the amount of electricity produced in Italy by photovoltaic systems, when in 2012 the installed power in Italy reached over 16 gigawatts.[114] Starting in 2011, the Italian government began to take steps that caused harm to investments in solar systems. In 2014, a decree was approved which reduced the feed-in tariff for the electricity also produced for systems in commercial operation during 2014, due to the burden created by the growing scope 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 formulating 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 identify and manage changes in the energy sector. The plan included, among other things, goals regarding the energy mix in 2023. As part of the application of the lessons of the past, following recognition of the importance of transitioning to renewable energy, with the aim of meeting the renewable goals set within the 2017 National Energy Plan and the commitments undertaken by Italy, new renewable incentive mechanisms were introduced, in the form of the "Contract for Differences" agreements. At the end of 2022, the total photovoltaic capacity installed in the country was 24.2 gigawatts.[115]

Regulatory environment in Italy - goals and supporting incentives that drive the market

In 2015, the Italian government signed the Paris Agreement, and in 2017, the Italian government published the National Energy Strategy 2017[116], in which it committed, among other things, to stop the use of coal for electricity production by 2025, and to increase the proportion of electricity produced from renewable energies renewables until 2030 to 28% of total energy consumption and 55% of total electricity consumption.

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110 https://www.terna.it/en/electric-system/transparency-report/installed-capacity.
111 hhttps://www.terna.it/en/electric-system/transparency-report/actual-generation.
112 https://www.terna.it/en/electric-system/transparency-report/renewable-generation
113 https://www.iea.org/articles/renewables-2020-data-explorer?mode=market&region=Italy&product=PV.
114 https://iris.polito.it/retrieve/handle/11583/2602370/64878/SolarEstimateBCAM.pdf.
115 See footnote 110.
116 https://www.mise.gov.it/index.php/en/news/2037432-national-energy-strategy.

Since then, the European Commission has approved several programs to support the production of renewable electricity in Italy. In June 2019, a budget support program of up to EUR 5.4 billion was approved in order to help the country meet the goals it set for the production of electricity from renewables, given in the form of subsidies for renewable projects until 2021.[117] After the plan was approved, the state set concrete goals that included, among other things, an installed solar power of 50 GW and a wind power of 18 GW by the year 2030.[118] In 2021, the European Commission approved Italy's multi-year Recovery and Resilience plan, which was designed to support the exit from the crisis created during the Corona epidemic. The scope of the program was about EUR 68.9 billion to be given in loans alongside EUR 122.6 billion in loans to be given throughout the life of the program, until August 2026, of which about EUR 11.2 billion will be dedicated to the development of green energy, and improving water and waste management.[119]

As part of the implementation of the Italian government's program for meeting renewable targets, the Italian Energy Services Manager published a series of tenders for the sale of electricity, which were intended to promote the establishment of systems for the production of electricity from renewable energies with a capacity of approximately 7,700 megawatts, of which approximately 1,570 megawatts were allocated to tenders for solar systems on rooftops and electricity generation facilities using wind energy, with a production capacity of up to 1 megawatt. According to the terms of the tender, the winners of the tenders will sell electricity produced in the winning systems at a maximum rate of EUR 85.5 to 102 per 1 MWh, guaranteed for a period of 20 years.

During 2022, Italy adopted a policy that limits electricity market prices temporarily until the end of the energy crisis in continental Europe.[120] However, to the best of the Company's knowledge, as of the Report Date, these limitations do not affect the Company's activities in the country, which focuses on projects with a guaranteed price for 20 years as part of the Energy Services Manager's tenders.

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

118 Integrated National Energy and Climate Plan - December 2019.

119 https://commission.europa.eu/business-economy-euro/economic-recovery/recovery-and-resilience-facility/italys-recovery-and-resilience-plan_en

120 https://www.arera.it/it/com_stampa/22/220929.htm ; https://www.arera.it/it/com_stampa/22/220330cs.htm

Renewable energy market in the UK

To the best of the Company's knowledge, the renewable energy market in the UK is in continuous growth, with the aim of reducing the use of fossil fuels including coal and natural gas. The British government's policy includes clear goals for reducing emissions - including reducing polluting emissions by 68% by 2030, by 78% by 2035 (compared to 1990) and net zero emissions by 2050[121], by increasing the installed capacity of renewable energies and increasing production of electricity from renewable energies.

As of the end of 2021, the installed capacity in the UK was about 76.6 gigawatts, of which about 7% coal production, about 45% natural gas turbines, about 11% nuclear, about 3% solar, about 8% onshore wind and about 6% offshore wind. Also, in 2021 the UK produced about 309 terawatt hours of electricity and consumed about 333 terawatts (net import of about 24 terawatts), of which about 122 terawatts were produced from renewable sources, including hydro and bioenergy[122]. According to estimates[123], in 2030 the percentage of solar installed capacity in the UK is expected to reach about 17% of the total installed capacity, offshore wind production to about 21% and onshore wind production to about 15%.

Currently, the British government encourages the production of electricity from carbon-reduced sources through the arrangement of Contracts for Difference (CfD).[124] In accordance with the aforementioned policy, the transmission grid and the National Electric Company (the National Grid) run tenders, from time to time, to determine a target price for production by renewable energies. As part of the tender, a manufacturer confidentially submits the target price it wishes to receive and the capacity for whom it wishes to receive. The proposed target price must meet the predetermined ceiling for all participants.

After winning the tender, a government company called the Low Carbon Contracts Company entered into a CfD contract with the manufacturer, which gives the manufacturer the right to a fixed price for a period of 15 years. The producer sells electricity on the exchange, and is entitled to receive compensation in the value of the difference between the contract price (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 mentioned above, the use of renewable energy is characterized by volatility in the electricity supply, which results 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

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[121] https://climateactiontracker.org/countries/uk/targets

[122] https://www.gov.uk/government/statistics/electricity-chapter-5-digest-of-united-kingdom-energy-statistics-dukes.

[123] Based on information provided to the Company by an external consulting firm.

[124] https://www.gov.uk/government/publications/contracts-for-difference/contract-for-difference.

projects enable a backup for electricity supply during hours when renewable energy systems are not operating (or are operating partially), thus guaranteeing a stable supply of electricity in accordance with market requirements, enabling stabilization of the electricity supply, at times when there is a temporary decrease in the electricity supply, as well as enabling the provision of system services for the transmission system - including frequency stabilization and response to additional incidents of damage to the electricity supply or its stability.

In the Company's estimation, the battery projects are an enabler for renewable projects, hence their importance. Moreover, according to the National Grid, the battery projects are a necessary factor for replacing fossil fuels with renewable energies.[125]

To the best of the Company's knowledge, as of the Report Date, the British battery market today amounts to slightly over 2 gigawatts of battery installations[126], and according to the National Grid, it is expected to grow to around 7-20 gigawatts in 2030 and around 35 gigawatts in 2050.[127]

The revenues of battery projects in the United Kingdom include several types of potential revenues, as follows: (1) Sale and purchase of electricity in Wholesale Markets, the Day Ahead and Intraday markets, in which electricity is purchased and sold, with battery projects aimed at purchasing electricity at low prices and selling it at high prices more while taking advantage of price differences, as much as possible; (2) revenues from a balancing mechanism, in which the system administrator balances supply and demand in the hour before the time window for electricity consumption; (3) System services (Ancillary Services) within the framework of which the battery projects provide system services to the electricity grid, including frequency stabilization, assistance in default or pre-default events and more; (4) capacity payments; and (5) network payments / receipts.

It should also be noted that the management of the electricity purchase and sale system in the battery projects is usually carried out through Route to Market Providers (RTM), which are market players who possess know-how, experience and dedicated software for effective management of the systems, with an emphasis on optimizing the purchase and sale of electricity, and are entitled to management fees derived from the volume of income from the sale of electricity. The arrangement with the RTM could include a price floor for income from the battery projects, in accordance with the commercial conditions that will be agreed upon with the RTM.

Similar to other countries in Europe, in order to alleviate the impact of the global (and European in particular) energy crisis on the residents of the UK, during the year 2022 the British government imposed a tax on excess profits from electricity produced from renewable energy sources, and

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[125] 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."

[126] Based on information provided to the Company from an international consulting firm.

[127] https://www.nationalgrideso.com/document/263951/download

focuses on large producers, defined as those producing at least 50 gigawatts hour a year. According to the new regulation, which came into effect in January 2023, excess profits are defined as profits exceeding GBP 75 per megawatt hour, and the benchmark price that will be set for consumers will be linked to inflation starting in April 2024. It is important to note that electricity fed into the grid from energy storage sources will be exempt from this tax.[128] In light of the above, as of the Report Date, this regulation has no material effect on the Company's revenues or its expected revenues.

Renewable energy market in Poland[129]

As of 2022, the energy production capacity in Poland amounted to about 63 gigawatts, with coal making up about 42%, renewable energy about 36% and natural gas about 5% of the installed production capacity. The installed production capacity of renewable energies is about 23 gigawatts, of which about 9 gigawatts of onshore wind projects and about 14 gigawatts of solar installations. The electricity generation mix in Poland, estimated at 171 terawatt hours for 2022, consists of approximately 74% coal and approximately 19% renewables.

In February 2021, the Polish government adopted a strategic plan for the energy policy for 2040 (the Polish Energy Policy 2040, or PEP2040), within which energy and environmental goals for the years 2030 and 2040 were agreed upon. In February 2022, the goals were updated so that the percentage of renewable energy in the actual electricity production in 2040 will be approximately 50%, and by 2030 emissions will be reduced by 30% (compared to 1990) and the percentage of renewable energies in electricity production will be at least 23%, along with the construction of marine electricity production facilities from wind and increasing production capacity from nuclear energy. In order to meet the goals of reducing the use of coal, the Polish government has pledged that all coal mines in the country will be closed by 2049.

According to estimates, the renewable energy market in Poland is expected to grow substantially in the coming years, and this is, among other things, in order to meet the policy goals that have been set. Thus, according to the assessment of an external consulting firm, the construction of approximately 7 gigawatts of electricity generation facilities from renewable energy (solar and wind) is expected by 2025 and of approximately 33 gigawatts by 2030 (compared to the current situation), of which about 12 gigawatts of solar installations, about 13 gigawatts of land-based wind power generation facilities, and the rest marine wind power generation facilities. Also, according to the estimates, the production of electricity from renewable energies (without hydro) is expected to be about 28% in 2025 and about

[128] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1118358/Electricity_generator_levy__technical_note__final.pdf; https://www.reuters.com/business/energy/uk-government-sets-out-detail-tax-electricity-generators-2022-12-20/

[129] Based on information provided to the Company from an international consulting firm.

59% in 2030, compared to about 22% electricity production from renewable energies as of the Report Date.

Electricity in Poland is sold through the TGE exchange, in futures, day ahead and intraday markets, when renewable energy can also be sold through bilateral agreements. For PV and wind producers (onshore and offshore) there is a regime of a fixed rate using the CfD method (contracts for difference determined in a competitive procedure, in which the producer sells the electricity in the electricity markets, but is entitled to receive a supplement / is required to return his income in a way that produces the price stipulated in the CfD.

In the months of October and November 2023, a law was approved regarding the limitation of electricity prices and customer support in 2023. Within the framework of the law, it is established, among other things, that electricity producers are required to transfer income above a certain amount they receive for the sale of electricity to a special fund. As of the Report Date, the determined amount is PLN 355 per MWh from solar and PLN 295 per MWh from wind. To the best of the Company's knowledge, this limit does not apply in relation to projects that sell electricity by virtue of tender procedures (in which the limit is the amount determined in the tender procedure), projects that include financial hedging agreements (in which to the best of the Company's knowledge the limit is the average financial obligation under the agreement) and projects with a capacity of up to 1 megawatt, etc. The restriction entered into force on December 1, 2022, and if not extended, will expire at the end of December 2023. To the best of the Company's knowledge, as of the Report Date, the above is not expected to affect the Group's revenues in Poland. However, if the validity of the order is extended, this may affect the income of the Group's projects in Poland. In this context, it should be noted that as of the Report Date, the Group has about 40 megawatts of solar projects under construction and which are expected to be connected to the grid during the year 2024.[130]

Energy market in Romania

As of the Report Date, the energy production capacity in Romania amounted to about 18.8 gigawatts, with hydro making up about 35% of the total installed capacity, coal making up about 16%, natural gas about 15%, and nuclear about 7.5% of the production capacity installed. The installed production capacity of renewable energies is about 4.4 gigawatts (excluding hydro), of which about 1.4 gigawatts are solar installations.[131]

Following ongoing talks with the European Union, the Romanian government committed within the framework of the National Energy and Climate Plan (NECP)[132] to a goal of approximately 30.7%

[130] "Poland to cap power prices for houses, small businesses", Reuters, October 2022 ; https://www.reuters.com/business/energy/poland-cap-power-prices-households-small-business-2022-10-11/

[131] ANRE, Romanian Energy Authority. https://www.anre.ro/ro/energie-electrica/rapoarte/puterea-instalata-in-capacitatiile-de-productie-energie-electrica.

[132] https://ec.europa.eu/energy/sites/default/files/documents/ro_final_necp_main_en.pdf.

electricity production from renewable sources by 2030, a goal that is in a considerable gap from the scope of electricity production from renewable energies today. Hence, it will be necessary to establish a significant new production capacity from renewable energies.

According to estimates, the construction of approximately 7.6 gigawatts of electricity production facilities from renewable energy (solar and wind) is expected by the year 2030 in order to meet this goal, while the installed solar production capacity is expected to increase from approximately 1.4 gigawatts at the end 2022 to about 6 gigawatts in 2030 - an increase of about 4.6 gigawatts in about 8 years.[133]

To the best of the Company's knowledge, there is currently no special regulation in Romania to encourage the establishment of renewable energy projects, but a subsidy regime in the form of CfD contracts to which projects will be entitled following a competitive procedure is being discussed. The details of the program have not yet been published, but according to the publications, the first tender is expected to be published in June 2023.[134]

Regarding bilateral agreements for the sale of electricity - in May 2020 Government Emergency Ordinance no 74/2020 entered into force, which allows new renewable energy projects to enter into PPA agreements for the sale of electricity from the project.[135] The amendment was not yet approved by the Parliament. Also, the enactment of the secondary regulations in this matter has not yet been completed.

Similar to other countries in the European Union, and in order to ease matters for the country's electricity consumers in dealing with the global energy crisis, the Romanian government adopted a policy of controlling electricity prices in the country. According to the policy measure adopted in March 2022 and then extended in September 2022 until August 31, 2023, the price of electricity will be limited to approximately RON 680 per megawatt hour for small consumers with electricity consumption that does not exceed 100 kWh per month, and approximately RON 800 per megawatt hour for consumption in the range of 100-300 kWh per month. For companies with high consumption levels, the electricity price limit is RON 1000 per megawatt hour[136]. As of the Report Date, the limit does not apply to electricity produced from solar projects. However, there is a probability that limiting electricity prices will lead to a decrease in electricity prices, which may affect the Company's revenues from electricity sales in Romania. Therefore, as of the Report Date, the Company does not have the ability to assess the extent of the effect of the price limit on the Company's activities in the country.

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[133] Based on information provided to the Company from an international consulting firm.

[134] https://www.pv-magazine.com/2022/12/07/romanian-government-accepting-proposals-for-renewables-auction/

[135] Report of Renew Romania (2021), Schoenherr Attorneys at Law.

[136] https://www.iea.org/policies/16534-nationwide-price-cap-on-electricity-and-gas-prices-for-one-year-starting-1-april-2022 ; https://gov.ro/en/news/press-statement-by-prime-minister-nicolae-ionel-ciuca-regarding-the-measures-to-counter-the-effects-of-the-price-hikes&page=1 ; https://gov.ro/en/news/cabinet-meeting-of-september-1-2022&page=9

Renewable energy market in Greece

To the best of the Company's knowledge, the renewable energy market in the Greece is in continuous growth, with the aim of reducing the use of fossil fuels including coal and natural gas. The Greek government's policy includes clear targets for reducing emissions, with Greece's updated National Climate Plan (NECP) including a target for a production rate of 80% from renewable sources by 2030[137], by increasing the corrective power of renewable energies and increasing the production of electricity from renewable energies. In the first ten months of 2022, Greece produced 47% of its electricity from renewable sources, including PV, wind and hydro and is expected to reach a rate of 10% production from PV in 2022, the highest in Europe.[138]

The use of renewable energy is characterized by volatility in the electricity supply, which results from changes and volatility in weather conditions. Therefore, the Greek economy is expected to increasingly consume energy storage and balancing services. This is also reflected in the goals of the Greek government, which are expected to reach about 7 gigawatts of connection of energy storage facilities by 2030. In June 2022, the Greek government enacted laws regulating the activity of energy storage facilities and their development process.[139]

Today in Greece there are electricity and liquid balancing markets in accordance with the updated regulation of the European Union, the EU Target Model. These electricity markets include both day-ahead and intraday markets where an energy storage facility can buy and sell electricity[140], and frequency balancing and stabilization markets in the European regulation format[141]: FCR (Frequency Containment Reserve), aFRR (automatic Frequency Restoration Reserve), mFRR (manual Frequency Restoration Reserve). The aFRR and mFRR markets have different components for selling energy and selling capacity (Balancing Energy and Balancing Capacity). Conventional production facilities and hydro facilities are currently active in these markets in Greece, and they are characterized by large activity volumes and high price levels. According to estimates, these markets can be used as revenue potential for storage projects as well.

137 https://balkangreenenergynews.com/greece-targets-80-from-renewables-by-2030-with-28-gw-plus-7-gw-storage/

138 https://balkangreenenergynews.com/mitsotakis-greece-set-to-boost-solar-power-share-to-10-in-2022/

139 https://balkangreenenergynews.com/greece-passes-renewables-law-targeting-15-gw-in-new-capacity-by-2030/#:~:text=Through%20the%20new%20renewables%20law,accommodate%20renewables%20and%20net%20metering.

140 https://www.admie.gr/en/market/general/description

141 https://www.admie.gr/en/market/general/balancing-market

3.3.1.3 Structure of the field of activity and changes therein

As mentioned above, as part of the field of activity, the local Group Companies work to locate potential projects or land, carry out engineering and economic feasibility tests, enter into lease agreements, purchase the rights in the project company or purchase the project land, and obtain the approvals required for the construction of the projects (connection approval, environmental approvals, building permits, obtaining government benefits, registration with the relevant regulation, entering into PPA agreements, etc.). After receiving all the required approvals, the project companies contract with a construction contractor, who is responsible for the construction and sometimes also the maintenance of the project.

In addition, in the USA, as part of its current activities, after the establishment of the project, Blue Sky also makes sure to enter into agreements with the tenants in the buildings on which the systems are installed for the sale of the electricity produced in the systems and to collect these payments from the various tenants.

As mentioned above, during the years 2021 and 2022 there was a significant increase in the scope of the Company's activity in the field. The increase included the development and purchase of solar projects and storage projects in the active countries, examination of entry into additional territories, entering into establishment agreements, financing, PPA, etc. The continued development and establishment of the various projects is expected to lead to an increase in the income of the field of activity in the coming years.

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 Restrictions, legislation, regulations and special circumstances applicable to the field of activity

Setting up a solar system involves administrative permissions and approvals, including:

- Approvals in connection with the access and connection of the system to the electricity grid - approval of connection, approval of depositing a guarantee and sometimes also entering into a connection agreement, which includes conditions and deadlines for making the connection.
- Regulatory authorizations - including approvals from regulators and various government ministries, the provision of environmental works, etc.
- Statutory permits (including municipal ones) - including permits related to the use of the land and their compliance with the City Building Plan, construction permits, environmental permits and permits related to historical and archaeological consequences and environmental consequences of the establishment of the system.

- In addition, in some countries it is possible to enter into PPA electricity sales agreements, in some there is a supporting regulation that guarantees a guaranteed rate for a certain period (such as the GSE tenders in Italy) and in some the electricity is sold on the local electricity exchange.

Blue Sky's activity is subject to federal and state regulation (with state regulation being different in each state). An overview of these laws will be given below, as well as an emphasis on a number of essential regulations and/or laws.

- At the federal level, the supervision of electricity prices in the US is carried out by the Federal Energy Regulatory Committee. The committee is an independent regulatory agency (Independent Regulatory Agency) consisting of five members appointed by the US President and approved by the US Senate and operates according to a report of federal legislation (Federal Power Act). As part of its powers, the FERC may make adjustments to the electricity prices offered by the energy producers if it recognizes that the offered price is not in market conditions and may lead to damage to public interest.

- At the state level, each and every country is responsible for ensuring the adequacy of the sources available for energy production in that country, against the expected energy demands. Each country adopts a different policy in order to meet this obligation. Some of them do this through supervision, both on the sources of energy production and on the energy rates (Regulated Market) and the other part implement a policy of a competitive market without intervention. In the supervised countries, there are usually local infrastructure committees (Public Utility Commission) which are responsible for supervising the local electricity companies (Utilities) and, among other things, these local infrastructure committees set targets for renewable energy sources for the local electricity companies.

- The transmission of electricity in the USA is carried out by regional power grids, the Regional Transmission Organization, as well as independent power system operating bodies (Independent System Operator - ISO), which are responsible for the management, operation and control of the power grids in the various regions in which they operate, by virtue of approval of the FERC and under its supervision. It should be clarified that, unlike Israel, in the USA there are a large number of electricity companies in each and every country, which set rules and regulations as a condition for connecting the systems and regarding electricity rates.

- Tax Benefits - The federal government has adopted various tax benefit programs over the past few years to encourage investment and development in the field of renewable energies. Among the most prominent benefits, it is possible to mention the tax credit for encouraging electricity production from renewable energy sources (the Production Tax Credit), which was expanded by the Biden administration in 2022 to include solar projects, and a tax benefit for encouraging investment in electricity production facilities from renewable energies (Investment Tax Credit) ("**ITC**")[142], which was expanded during the year and now also includes storage projects.[143] As mentioned above, the Investment Tax Credit, which was launched for the first time in 2006 by the federal government, allows the developer of the renewable production system (home or commercial) to offset part of the amount of his investment in the system (Dollar for Dollar) against the federal income tax that it is required to pay. Alternatively, and as is customary in the renewable energy industry in the US, there is the possibility of establishing a partnership together with a third-party investor who is able to effectively and optimally realize the federal tax benefit in return for investing in the project (hereinafter: the "Tax Parter").
- Contracting with a tax partner can be done in several models, while currently, the model implemented by Blue Sky is the Partnership Flip model. According to this structure, the tax partner invests in the project near the date of its commercial operation at a rate of up to 50% of the project's establishment costs and in return is entitled to most of the tax benefits (99%) generated by the project as well as to an agreed return (Preferred Return) in an agreed amount determined between the parties. After a specified period, usually between 5 and 7 years from the start of the project, the holdings of the parties are reversed, so that the tax partner holds a lower percentage of the rights in the Company and the tax benefits, and the remainder is held by the developer, where there is usually also an option for the developer to purchase the tax partner's share of the project at the end of this period.
- **The tax benefit is given on a one-time basis, based on the cost actually invested, subject to the criteria defined in the legislation.** Following the expansion of the law in August 2022, the ITC rate for projects whose construction will begin in 2022-2033 increased to 30% of the invested cost, projects whose construction will begin in 2034 will be entitled to ITC at a rate of 22.5%, and projects whose construction will begin in 2035 will be entitled to ITC at a rate of 15%. **Also, projects whose construction will begin in these years** will be entitled to additional benefits at a rate between an additional 1%-20% to the ITC rate in accordance with various criteria related to

[142] US Office of Energy Efficiency and Renewable Energy website, Department of Solar Energy: https://www.energy.gov/eere/solar/federal-solar-tax-credits-businesses

[143] US Office of Energy Efficiency and Renewable Energy website https://www.energy.gov/eere/solar/articles/solar-investment-tax-credit-what-changed

the community intended to consume the electricity from the project.[144]

3.3.1.6 Changes to scope of activities in the field and profitability

The Company's activity 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 throughout Europe and the entry and establishment of new platforms. Further to this, in 2022 the growth trend in the scope of the field of activity continued, which was reflected in the entry into additional projects, the beginning of the construction of projects, receiving financing, entering into PPA agreements, etc. In addition, the Company intends to act in the coming years to continue the development of the field of activity.

It should be emphasized that estimates regarding the increase in the scope of the field of activity is forward-looking information, as this term is defined in the Securities Law, which depends on factors that are not under the control of the Company, and in particular the continued development of projects by the various platforms around the world, the fulfillment of the conditions that will be determined in the agreements regarding the terms of their purchase, the compliance of the parties with these agreements, receiving the approvals required for the establishment of the projects, obtaining the necessary financing for their establishment as well as the non-existence of one or more of the risk factors detailed in Section 4.14 below.

3.3.1.7 Technological changes that may have a material impact on the segment

See Sections 2.2.6 and 3.1.1.4 above.

3.3.1.8 Critical success factors in the field of activity and changes therein

See Section **Error! Reference source not found.** above. In addition to the success factors detailed in Section **Error! Reference source not found.**, in the Company's estimation, other critical success factors in the field of activity are:

- Creating long-term relationships with local developers with proven abilities in locating projects at various stages of development with economic viability and engineering and environmental feasibility, which enable the establishment of systems based on renewable energy.
- Knowledge, which enables the initiation, planning and supervision of the construction of projects, including the construction of the infrastructures connecting the projects to the electricity grid, which help in the correct and economic planning of the projects, in a way that allows the entity that owns them, on the one hand - to be competitive, and on the other hand - to ensure that the projects will be profitable.

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[144] US Office of Energy Efficiency and Renewable Energy website, Department of Solar Energy: https://www.energy.gov/eere/solar/federal-solar-tax-credits-businesses

- Creating long-term relationships and collaborations with leading contractors in the field of construction and maintenance of large-scale land projects with financial strength and proven ability to meet deadlines.
- Expertise in analyzing climatic data during the construction and choosing the location of the projects.
- The ability to obtain the financing required for the activity while entering into financing agreements adapted to the projects and regulations in each country.
- Knowledge and experience in the field of electricity trade that allows to maximize the income from the sale of electricity in projects.
- Supportive regulation that helps initiate and establish projects and reduces the damage to income from the sale of electricity.
- Regarding Blue Sky and Sunprime activity - creating long-term strategic relationships with real estate companies that own commercial properties on which solar systems can be continued to be established.
- Regarding Blue Sky's activity - creating relationships with companies with high tax liabilities for the purpose of contracting with them and including them as tax partners in the various projects, knowledge and familiarity with the local regulation in each of the states in the US where it is active and a tenant acquisition system required to collect the electricity bills from the tenants and on the other hand, an active sales and customer service system for recruiting new tenants and providing customer service to existing tenants.
- Ability and experience to manage investments outside the borders of the State of Israel and creating relationships that enable ongoing supervision of the activities of the project corporations and dealing with challenges, as they arise.

3.3.1.9 Changes in suppliers and raw materials in the field of activity

See Section 3.2.9 above.

3.3.1.10 Main entry and exit barriers of the area of activity and changes therein

See Section **Error! Reference source not found.** above, *mutatis mutandis*. In addition to the entry and exit barriers listed in Section **Error! Reference source not found.**, in the Company's assessment, additional entry and exit barriers that characterize the field of activity and/or have special characteristics for activity abroad are:

Entry barriers

- Establishing relationships with local developers with proven abilities to locate and advance business opportunities.

- Ability to locate projects in various initiation stages with high feasibility, given the set of regulatory, planning and engineering constraints and conditions, including accessibility/ability to connect to the electricity grid.
- Recognition and expertise of the local regulation, which is unique, in each country, including in relation to the various constraints that apply to the field of activity and the ability to comply with them, quickly and efficiently outside the borders of the State of Israel.
- Technical, engineering, regulatory and legal knowledge and experience, relating to the fields of activity and the initiation, establishment and management of renewable energy projects - including solar projects and storage projects.
- Regarding the Blue Sky activity, also access to tax partners (those with a high tax liability who will be interested in being integrated as tax partners in solar projects) and the establishment of an operation and tenant service system that is responsible for collecting, operating and providing customer service to tenants in the commercial centers where it has established and operates solar systems.

Exit barriers

Financial obligations that do not allow exit from a project without payment of compensation to the developer, the construction contractor, the grid administrator, etc.

3.3.1.11 Alternatives to the products in the field of activity and changes therein

See Section 3.1.1.8 above.

3.3.1.12 The structure of the competition in the field of activity and the changes therein

See Section 3.3.1.2 above.

3.3.2 Products and services

As mentioned above, within the field of activity, the Group focuses on the initiation, development, financing, construction and holding of solar, wind and storage systems. For details see Section 3.3.1.4 above.

It should be noted that unlike the rest of the promoted projects in the field of activity, Blue Sky's income in the field of activity includes three main types of income:

a. Revenues from the sale of credit for the electricity supplied to the grid - to the tenants in the commercial centers (the “**tenants**”). This is usually at rates based on the retail rates minus a certain discount. It will be clarified that the electricity produced by the solar systems is not consumed directly by the tenants. Blue Sky works with the local electricity companies, and defines with them the relative electricity consumption of the tenants, according to the size of the average monthly consumption of these tenants, and according to the output of the solar system, the electricity company “credits” the monthly electricity bill of the tenants. At the same time, Blue Sky issues a monthly invoice to the tenants according to their relative entitlement to the credit received due to the electricity being fed into the grid minus an agreed upon discount rate as stipulated in the agreement.

b. Federal tax benefits (Investment Tax Credit) - Benefits that allow the owner of a solar project, which has taxable income in the US, to benefit from a tax credit at a rate of up to 30% of the recognized project costs in accordance with the tax guidelines set forth in the legislation. Alternatively, there is an option to contract with a tax partner, as detailed in Section 3.3.1.5 above. As mentioned above, the Blue Sky Group usually contracts with the tax partners who invest in a dedicated company held by the tax partner and Blue Sky.

c. Revenues from the sale of green certificates (Renewable Energy Credits) - These are certificates issued to the owners of the project for each kilowatt hour produced in the project. These certificates can be sold to third parties, allow the electricity suppliers to meet the electricity production targets from renewable energy without the need to produce or purchase electricity from renewable energy, and are an additional source of income for the project owners. It should be noted that as of the Report Date, Blue Sky's revenues from the sale of green certificates are not material. We will also note that there is a mechanism for selling green certificates in the Spanish market as well. As of the Report Date, all of the Company's green certificates in Spain sold under the PPA agreements are sold to the customer, without additional consideration.

3.3.2.1 Segmentation of income and profitability of products and services

For details, see the table in Section 1.4 of the Board of Directors' Report.

3.3.3 Customers

During the year 2022, the revenues in the field of activity included Blue Sky's revenues from the allocation of the credit for the electricity produced in the systems it owns to the various tenants in the property on which the systems were erected, as well as from the sale of the electricity produced in the Olmedilla and Sabinar projects.

The sale of electricity by the project companies of Olmedilla and Sabinar are carried out by electricity sales agreements (PPA) in which these companies contract with TELECOR, SA. In addition, after the completion of the Sabinar II connection, electricity will also be sold in the open market (Merchant) at spot prices.

Below is a description of the main points of the electricity sale agreements:

The agreements include an obligation of the buyer to purchase, and an obligation of the seller to sell, a minimum annual amount of electricity, at prices as specified in the table below. Arrears interest will be applied to the payments that were not paid on time. Electricity is purchased on a pay as produced basis. The failure of the electricity supplier to reach the required minimum in relation to a certain period will entitle the buyer to the possibility, among other things, to terminate the agreement. The seller and the buyer undertake to provide various guarantees to ensure compliance with their obligations according to the agreements. In the event of realization or expiration of the guarantees, the seller and/or the buyer undertake to re-establish identical guarantees in their place. Various violations such as breach of representations, failure to provide guarantees, conversion of the agreement without consent, etc. will give the injured party the right to bring the agreement to an early termination. The agreements include, among other things, provisions regarding confidentiality, the non-assignment of the agreement, a prohibition on the transfer of control and clauses concerning the regulation of situations of force majeure. Also, the agreements include various provisions regarding dispute resolution, including the appointment of an external expert and an arbitration procedure that will be conducted according to the arbitration rules of the International Chamber of Commerce. The law that will apply to the agreements is Spanish law.

Below is a breakdown of Olmedilla and Sabinar's PPA agreements, prices and term:

Project	Capacity	Period	Rate in Euro per MW
Olmedilla	84.5 MW	5 years	82.5[145]
Olmedilla	84.5 MW	3 years	63.8
Sabinar I	103 MW	9 years	51
Sabinar I	130 MWh	2 years	67

As of 2022, the Group's revenues from the sale of electricity to Telecor, SA totaled approximately NIS 11,704 thousand. It should be noted that in light of the supply of potential customers, as well as the possibility of selling electricity on the open market, the group has no dependence on TELECOR, SA

For additional details regarding the PPA agreements, see immediate reports published by the Company on April 3, 2022 (reference no.: 2022-01-035163), and August 8, 2022 (reference no.: 2022-01-099826) which is included in this Report by way of reference.

3.3.4 Competition

3.3.4.1 For details regarding the structure of the market and competition, see Section 3.3.1.2 above.

3.3.4.2 In the Company's estimation, the field of renewable energy, which is in the trend of expansion in Europe and the USA, is a very competitive field, which, due to government encouragement, a decrease in construction costs and an increase in the capacity of the systems, is characterized by a large

[145] It should be noted that as detailed in an immediate report published by the Company on July 24, 2022 (reference no. 2022-01-077409), the Olmedilla PPA agreement determined that as long as the provisions of Royal Decree-Law 17/2021, 23/2021, 6/2022, 10/2022 ("Royal Decree") are in effect, the consideration for the sale of electricity under the PPA agreement will be in accordance with the maximum exempt electricity tariff in the regulations (which as of the date of the report is EUR 67 per megawatt) and no more than EUR 73.15 per megawatt (which is an average of the two electricity rates stipulated in Olmedilla's PPA agreement) in the first three years of the agreement, or no more than EUR 63.8 per megawatt in the fourth and fifth years of the agreement.

number of competitors, which affects the costs of purchasing projects in advanced stages and the possibility of receiving connection approvals.

3.3.4.3 In the Company's estimation, taking into account the scope of the potential projects promoted by the Group Companies in the various countries, its share is negligible.

3.3.4.4 In view of the scope of the projects promoted by the Company, as well as the number of territories in which the Company is active, the Company is unable to estimate the number of competitors in the field of activity. The Company handles the competition is by partnering with a local partner who has the knowledge and connections required to locate projects, land, potential partners, etc., while receiving professional support from the Group in Israel.

3.3.5 Seasonality

For details regarding seasonal parameters that impact the production of electricity, see Section 3.1.9 above. It should be noted that, similarly to Israel, in Europe and the USA, the winter months 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 output of the systems was higher.

In view of the fact that the Olmedilla and Sabinar I projects were connected during the year 2022, and are in the trial run period, which is characterized by the disconnection of the electricity and the performance of normality tests, the presentation of the Company's revenues divided by quarters does not show the expected difference in the revenues of the field of activity between the various quarters. Therefore, the Report does not include a segmentation of the Group's revenues by quarter.

3.3.6 Fixed assets, land and facilities

In order to establish the various projects, the Group Companies are required to locate designated lands or roofs for the establishment of the projects. Some of the projects are built on land owned by the project companies and for some of them lease agreements are signed for lease periods of between 25 and 30 years, sometimes with an option to extend the agreements for longer periods. In most of the agreements, the rent is paid starting from the date of construction of the project, but sometimes at an earlier date. The rent paid in relation to the land is not material in relation to the costs of the various projects. In most lease agreements, there is a commitment by the project company that at the end of the lease period it will return the land to its condition as it was at the time the lease began. In addition, in some agreements there is an obligation to provide a guarantee for returning the land to its original state several years before the end of the project.

Blue Sky and Sunprime usually enter into lease agreements or option agreements with building owners for the establishment and operation of the photovoltaic systems on the roofs of the buildings they own. In exchange for the right to rent, Blue Sky and Sunprime undertake to renovate the roof at their own expense (and sometimes replace the asbestos roof with a new roof), build the system at their own expense, connect them to the electrical system, and pay rent that includes a fixed payment and a payment derived from Blue Sky's income from the property.

3.3.7 Raw materials, equipment and suppliers

For details, see Section 3.2.9. above.

The Group Companies usually contract with subcontractors in construction (EPC or BoP), operation (O&M) and maintenance (LTSA) agreements for the various projects (in this section below: the "**Contractor**").

Below are the main terms of the contracts as included as of the Report Date within the framework of the various agreements signed with contractors[146]:

3.3.7.1 Construction Agreement

(1) The construction services include the set of services and works required for the construction of the project, up to its connection to the electricity grid and operation of the system, including planning, engineering, procurement of equipment, installation, testing and connection of the system to the electricity grid, and the establishment of connection infrastructures to the electricity grid, in the periods of time and in accordance with the milestones established in each agreement.

(2) The consideration for the construction services (including the purchase of equipment and its installation) is usually set at a lump sum price, where, in most cases, the contractual risk for additional costs is borne by the contractor. Sometimes the agreement includes the exclusion of certain works for which it is determined that accounting will be performed during the construction period. The consideration for the construction services is made in several payments according to the milestones established in each agreement.

(3) In most cases, the contractor is obligated to purchase insurance for all the risks involved in the execution of the construction works, including construction equipment insurance, equipment transportation insurance, product warranty insurance, as well as other insurances in which the contractor is required by law and/or which will be required by the project corporation.

(4) Most of the agreements include a commitment to pay compensation agreed upon by the contractor, in the amounts specified in each agreement for delay in meeting the schedule specified in the agreement regarding the date of commercial operation and for the system not meeting the required capacity during the inspection period specified in the agreement (usually between one and two years).

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[146] The provisions set forth below include the main provisions applicable in most transactions. Naturally, there is a certain difference between the various agreements.

(5) Along with the manufacturer's warranty for the equipment, the contractor undertakes to provide a warranty on the quality of the construction works (inspection warranty) usually for periods of between one and two years. Most of the agreements include a commitment by the contractor to provide guarantees to secure its obligations (performance guarantee, advance guarantee, quality guarantee and sometimes also the parent company guarantee), as well as a limitation on the parties' liability for violations and damages caused to the other party, usually to an amount not exceeding the contractual consideration.

(6) In most agreements, it is stipulated that the agreement can be terminated by the project company, among other things, in the event of material violations, failure to meet guaranteed schedules, failure to meet minimum performance of the system, reaching agreed compensation ceilings / the contractor's liability ceiling, and the lack of validity of the guarantee. The main contractor can cancel the agreement is due to non-payment of a non-disputed debt.

It should be noted that as of the Report Date, the construction of Blue Sky systems is carried out through a company controlled by one of the owners of Blue Sky. However, as of the Report Date, Blue Sky is working to locate and contract with additional construction contractors.

3.3.7.2 Operating Agreement

At the same time as signing the construction agreement, the project company usually enters into an operation and maintenance agreement regarding the project that is the subject of the construction agreement with the construction contractor or a corporation related to it for a period that usually does not exceed five years. Below are the main terms of the operating agreement[147]:

(1) As part of the operation agreement, the contractor undertakes to provide performance monitoring and maintenance services for the system it will build. These services include preventive maintenance and defect correction maintenance. In this framework, the contractor is responsible for all the costs involved in providing the service and replacing the defective system parts, including the realization of the contractor's liability within the quality warranty periods according to the construction agreement above, as well as for the preparation of all the required insurance policies for the purpose of liability coverage for the provision of the services.

(2) The contractor is responsible for the availability of the system and the infrastructure and the output of the system during the period of the operation agreement being at an agreed rate that is determined by the parties. In most cases, non-compliance with the aforementioned availability and performance will entitle the project company to liquidated damages in the amounts specified in the agreements.

[147] The provisions set forth below include the main provisions applicable in most transactions. Naturally, there is a certain difference between the various agreements.

(3) In some agreements, the contractor's obligations under the operating agreement are guaranteed by a performance bond in the amount agreed by the parties.

(4) The scope of responsibility of any of the parties to the operating agreement for violations and/or damages caused by it to the other party does not, as a rule, exceed the annual operating agreement consideration.

(5) The agreement can be terminated by the project company, among other things, due to material violations, and reaching agreed compensation ceilings due to failure to maintain the availability of the system and infrastructure, as appropriate, and failure to maintain the performance of the system during the entire year of the engagement in the operating agreement.

3.3.7.3 Services Agreement (Long Term Services Agreement)[142]

In relation to the storage systems purchased by the Group Companies, at the time of execution of the purchase agreement (or the purchase order, as the case may be), an agreement was signed by the project company and the supplier of the storage systems regarding the provision of preventive maintenance services, service warranty and backup, in exchange for an annual payment as detailed in the agreement.

Most service agreements include a commitment to availability and storage in minimal volumes and periods, as specified in the agreement.

4. Part Four – Matters Relating to the Corporation's Activity Generally

4.1 Fixed assets, land and facilities

The Company's offices are located in the industrial area of Ad Halom and the Ra'anana intersection, in buildings that the Company rents under lease agreements for amounts that are not material to its operations. These offices are mainly used for administrative purposes.

The offices of the subsidiaries (Blue Sky in San Francisco, California, Sunprime in Milano, Italy, Nofar Romania in Bucharest, Romania, Nofar Europe in Amsterdam and Atlantic Green and Noventum in London), are in offices that they rent from third parties by virtue of rental agreements in an amount that is not material to the Company. These offices are mainly used for administrative purposes.

The electricity generation systems owned by the project companies are set up on real estate (rooftops and reservoirs) which are rented, usable or leased to the project companies. Also, as mentioned above, some of the project companies are the owners of the land designated for the establishment of the project. See Sections 3.1.11 and 3.3.6 above.

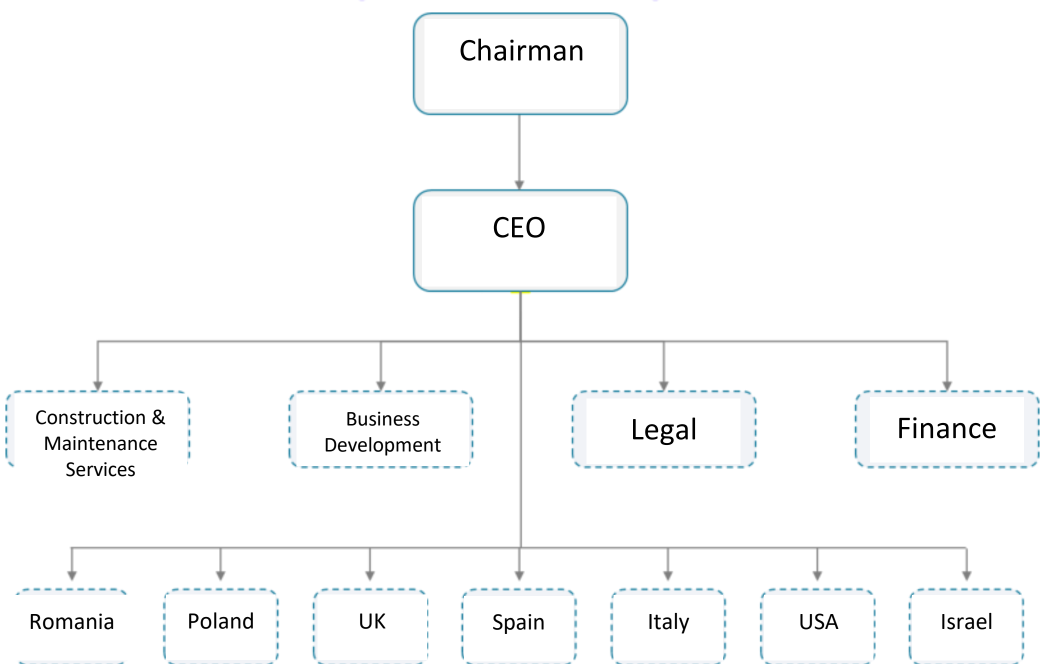
The Company has no substantial fixed assets, with the exception of the electricity generation systems owned by the Group Corporations. For details, see Note 11 of the financial statements.

Generally, the property of the facilities is owned by the joint project corporation, and pledged for the benefit of the financing entity for the financing period only.

4.2 Human Capital

4.2.1 Organizational structure

The following is a diagram of the Group's organizational structure:



As of December 31, 2021, December 31, 2022 and the Report Date, the Group employs 138, 185 and 200 employees and officers, respectively, broken down as follows:

Area of activity	December 31, 2022	December 31, 2021
Initiating and investment in Israel	10	8
Construction and operation	39	31
Development and investment abroad	10	6
Headquarters	49	27
Employees abroad	77	66

The increase in the number of employees, in particular in the field of initiation and investment abroad, is due to an increase in the scope of the Group's activities.

In the Company's estimation, it has no material dependence on a particular employee or officer. However, the departure of the four most senior officers (Chairman, CEO, CFO and VP of Business Development) may harm, in the short term, the development of the Company.

4.2.2 Benefits and nature of employment agreements

The terms of employment of the Company's employees (including all its officers) are regulated in personal contracts, which vary from employee to employee, and are determined for each employee according to his skills, education and position.

The personal agreements of the employees set forth the salary conditions (most of the employees are employed in positions of trust with a global salary) and include social conditions, including contributions to funds and advanced study funds, provident/pension and compensation, as appropriate, vacation and sick days, convalescence, and additional benefits (such as a car and a laptop), a confidentiality and non-competition undertaking during the employment period, provisions regarding the protection of the Company's intellectual property, as well as a notice period (usually by law, and sometimes up to 6 months).

All the Company's employees have signed Article 14 of the Severance Compensation Law. Also, the Company usually allocates to the employee funds starting from the first month of their employment in the Company. Accordingly, the financial statements for December 31 of the years 2021 and 2022 do not include a liability due to the termination of the employment relationship.

The terms of employment of the employees of the Group Companies abroad are regulated in personal contracts, which vary from employee to employee, and which are determined for each employee according to his skills, education and position. The employees' personal agreements set forth the salary conditions, job scope, notice period, annual bonus subject to meeting personal and departmental goals, etc. To the best of the Company's knowledge, the terms of employment include everything required by law in the country where they are employed.

Bonuses

As a rule, bonuses to employees are paid at the discretion of the Company. However, some of the project development managers are entitled to variable remuneration derived from the supplier of the projects they led and/or the type of the Company's rights in these projects.

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

The terms of employment of employees as specified in Section 4.2.2 above also reflect the terms of office and employment of officers and senior management employees of the Company, except as specified in this section below and in Article 21 of Chapter D - Additional Details about the Corporation.

For details about the terms of for exemption, indemnification and liability insurance for officers in the Company, see Article 22 of Chapter D - Additional Details about the Corporation.

4.2.4 Capital remuneration

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 under the plan for 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 description published by the Company on July 22, 2021 (reference no.: 2021-01-056968), which is included in this Report by way of reference.

Following this, on August 4, 2022, the board of directors approved the allocation of 135,986 additional options under the plan to employees and officers of the Company, and on October 6, 2022, the options were allocated. For details regarding the terms of the options, see the outline published by the Company on September 7, 2022 (reference no. 2022-01-092988) as well as an amendment to it published on September 21, 2022 (reference no. 2022-01-097104), which is included in this report by way of reference.

Some of the Group Companies abroad have option plans, by virtue of which the companies abroad allocate restricted shares to their employees, conversion options to the shares of the subsidiary companies or phantom options that give the employees who hold the option a payment derived from the increase in the value of the subsidiary.

Some of the managers of the Group Companies abroad are partners of the Company in the subsidiaries and hold shares at a rate of up to 20% of the subsidiary's capital.

For details about the compensation policy of the Company's officers, see Appendix A to Chapter 8 of the Company's prospectus, which is included in this Report by way of reference.

4.3 Working capital

4.3.1 General

As of December 31, 2022, the Company has positive working capital in the amount of NIS 356.7 million, compared to positive working capital in the amount of NIS 1,250 million as of December 31, 2021.

Alongside the Company's financial assets and liabilities (most of which are intended to finance all of the Company's activities), the Company's operational assets (mainly customers and inventory) and operational liabilities (mainly suppliers and service providers) mainly reflect the Company's activities in the field of construction and operation.

4.3.2 Components of working capital of the Group companies

4.3.2.1 Inventory

For details regarding the inventory and equipment in the field of construction and operation, and the equipment purchase policy, see Section 3.2.2.1 above.

The range of average inventory days used for projects under construction by the Company is 36 and 35 days for the years 2021 and 2022, respectively.

4.3.2.2 Liability towards customers

See Section 3.2.2 above.

4.3.2.3 Customer credit

Customer credit mainly includes the liability balances of the joint project corporations that are associates of the Company.

In addition, in the field of initiation and investment in Israel and abroad, customer credit mainly includes payable balances for the sale of electricity by the joint project corporations (associates) for electricity needs. Since most of the joint project corporations in the field of initiation and investment in Israel are associated companies of the Company, this credit is not included in the consolidated working capital of the Company.

Over the past few years, there has been an increase in customer credit balances and credit days, due to the Company's decision to provide some of the joint project corporations with a loan during the construction period, which is repaid upon completion of construction through credit taken by the joint project corporation.

The Company's financial statements for December 31, 2021 and December 31, 2022 include a total of NIS 285 thousand as a provision for Blue Sky's doubtful debts.

Below are the customer payment terms, broken down by activity areas:

Area of activity	Range of customer credit	Average credit days[148]	
		2022	2021
Initiating and investment in Israel	From payment of "net" to "net" + 60	60	60
Construction and operation	From payment in advance and in cash to "net" + 75 days	75	60
Development and investment abroad	From payment of "net" to "net" + 60	60	60

4.3.2.4 Supplier, service provider and subcontractor credit

The Company's main suppliers and payables are equipment suppliers and subcontractors who help set up the systems. The liability towards these suppliers is mainly based on open debts. For details regarding the procurement terms and engagements with subcontractors, see Section 3.2.9 above.

Below are payment terms for suppliers, service providers and subcontractors, broken down by activity areas[149]:

Area of activity	Range of supplier, service provider and subcontractor credit	Average credit days	
		2022	2021
Construction and operation	From payment in advance and in cash to "net" + 60 days	63	60
Initiation and investment abroad	From payment in advance and in cash to "net" + 30 days	30	30

As of the Report Date, Blue Sky does not meet the loan covenants undertaken towards the bank corporation. Accordingly, as of the Report Date, there is a difference between the Company's working capital and the working capital for a period of 12 months (in NIS millions), as follows:

	Amount included in the financial statements (NIS millions)	Adjustments (for a period of 12 months)	Total
Current assets	1,096	---	1,096
Current liabilities	(739.6)	(24.2)	(715.4)
Surplus current assets over current liabilities	356.4	(24.2)	380.6

4.4 Investments

4.4.1 Enova Energy

In May and August 2022, the Company entered into and completed a strategic cooperation agreement with the Milgam Group Ltd. ("Milgam") regarding the establishment of Enova Energy, which is engaged in the production and sale of electricity, through renewable energies, energy storage systems and electricity supply in the public sector ("**Energy Activity in the Public Sector**") as well as in the

[148] 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 proportion of the Company's holdings.

[149] The suppliers' credit in the field of initiation and investment in Israel is mainly credit provided by the Company to the joint project corporations.

installation and operation of charging stations for electric vehicles ("**Charging Stations Activity**" and the "**Cooperation Agreement**").

As part of the Cooperation Agreement, the Company invested a total of approximately NIS 63.3 million in Enova Energy and Milgam transferred its holdings (48.5%) in Milgam EV Edge to Enova Energy.

As of the Report Date, Enova Energy is engaged in establishing a network of charging stations for vehicles and promoting comprehensive renewable energy solutions for local authorities, which include the establishment of solar projects in a variety of configurations (roofs, roofing, solar fences, etc.), energy storage system solutions (in the operating model of storage in a customer's yard, behind the meter, the establishment of storage facilities for remote sale to consumers in an elaborate market model and storage facilities for the transmission grid), the establishment of charging stations of various types (for individual and public vehicles), and the use of a supplier's license in order to reduce the cost of electricity. As part of the energy activity in the public sector, the Group won a number of tenders from local authorities for the establishment of systems for electricity production and their maintenance and for the establishment of a joint corporation with the local authority which will deal with the full range of renewable energy fields (solar systems, electricity storage systems and vehicle charging stations).

Milgam EV Edge deals with the deployment of electric charging stations and the provision of charging services for electric vehicles in the municipal sector in Israel. As of the Report Date, Milgam EV Edge won more than twenty tenders for the construction of thousands of charging stations in the municipal sector throughout Israel (from Tzfat, Katzrin and Haifa in the north to the Eilot region in the south, with a clear lead in the cities of the Dan region, including the "Ahuzat Ha'hof" parking lots in Tel Aviv, Ramat Gan, Petach Tikva, Kfar Saba, Herzliya, Hod Hasharon, Rosh Ha'Ein, Yehud-Monoson and Or Yehuda) and has a backlog of hundreds of stations that it will establish in the coming years in various authorities.

Milgam EV Edge's activity includes the installation of AC and DC charging stations made by the world's leading manufacturers, a software shell and a dedicated application that enable remote clearing, management, control and operation of the stations, professional and experienced installation teams nationwide and high availability, and a service center that is active 24/7 for quick troubleshooting. In addition, Milgam EV Edge is ISO 9001 certified and has a Ministry of Defense supplier number.

For more details regarding the cooperation agreement with Milgam and Milgam EV Edge, see immediate reports published by the Company on May 31, 2022 (reference no. 2022-01-055329) and August 9, 2022 (reference no. 2022-01-100402), which is included in this Report by way of reference.

4.4.2 Meteo-Logic

In March, the Company entered into and completed an investment and loan transaction with Meteo-Logic Ltd ("Meteo-Logic").Meteo-Logic is an Israeli high-tech company that has developed a unique engine, based on artificial intelligence (AI), for automatic trading in energy assets traded on energy exchanges - future contracts of electricity, gas and more. The algorithmic engine is based on the processing and analysis of huge amounts of data (Big Data) from the world of energy trading, from the consumption and supply arenas of energy assets and data in volumes of tens of terabytes on the global weather - a factor that has a huge impact on the supply and consumption of energy assets and their prices on the energy exchanges.

To the best of the Company's knowledge, Meteo-Logic uses this data to predict electricity prices and trade electricity in the electricity exchanges in various ways.

During the last few months, Meteo-Logic opened a hedge fund engaged in trading in the electricity exchange using the algorithmic engine it developed.

As part of the investment deal, the Company invested a total of EUR 3 million in Meteo-Logic against the allocation of shares at a rate of approximately 5.75% of Meteo-Logic's share capital, and also undertook to provide Meteo-Logic with a loan of up to EUR 5 million for a period of two years, intended for trade on the electricity exchange.

4.5 Financing

4.5.1 Financing structure

The Group finances its activities through equity, loans from banking corporations and investment funds, joint loans in the joint project corporations and positive cash flow surpluses of its activities.

4.5.1.1 Project financing

Israel bank financing

Most of the loans taken by the Group Companies are designated bank loans taken as senior project debt for the purpose of establishing the systems, amounting to approximately 75%-90% of the project's establishment costs, with the balance financed by the developer (the Company and the partners, to the extent that there are any, at rates agreed between them) as equity in the projects, through a shareholder loan in the joint project corporations as a condition for bank financing. Usually, such bank loans are first given as a short-term loan for periods of up to nine months in order to establish the systems. After the 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, compliance of the system with technical and other conditions, arranging insurance policies, obtaining manufacturer's warranty letters for the system components, accumulating a safety cushion, etc.), the credit repayment is spread over up to 20 years.

In relation to such loans in commercial operation, the financing specifications usually include obligations to meet various financial standards, which mainly include: maintaining a debt coverage ratio[150] (between 1.1 and 1.25, when there are systems held by the Company for which this ratio is examined in aggregate[151]), annual revenue volume, EBITDA percentage of revenues (not less than 85%). Also, in net meter systems, the debt coverage ratio is examined according to a guaranteed rate and spread over 10 years - not be less than 1. As of the Report Date, the Group Companies in Israel meet the financial benchmarks they are committed to and there is even a positive gap between the actual results and the benchmarks they committed to.

Said bank loans are secured by permanent and floating liens on all the rights in the systems and the rights of the joint project companies in the agreements signed in connection with the system, and sometimes also on the rights arising from the holding in the joint project corporations that own said systems. In relation to the systems established within the framework of the joint project corporation - the Company usually guarantees the debts of the joint project corporation towards the financing banks in accordance with its relative share in the holdings in the joint project corporation.[152] For the balance of the debt (if any) the partner in the joint project guarantees. Also, bank financing of the projects held by a Company and/or corporations under its control is often guaranteed by cross liens on the projects fully owned by the Company (directly and through companies under its control).

Blue Sky financing

The financing of Blue Sky's activities is carried out from independent sources, a shareholder loan given by the Company as well as by taking on debt from banking entities. In addition, upon completion of the construction of the system and connection to the electricity grid, the tax partner pays a payment for the purchase of rights in the project which is used to repay part of the equity invested by Blue Sky during the construction period and to pay off part of the construction loan.

In addition, some of the systems established by Blue Sky were financed through a dedicated loan given during or at the end of the establishment period for a period of between 7 and 10 years. The loan is secured by a first degree pledge on the assets and shares of the property company that owns the project. As part of the loan, Blue Sky committed to the banking corporations to comply with a debt coverage ratio of 1.35. As of the Report Date, Blue Sky does not meet the above criteria and is in talks with the bank on the matter. Accordingly, the balance of the aforementioned loans were classified in the Company's financial statements as short-term loans.

Financing of Noy-Nofar Europe

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150 "Debt coverage ratio" means - the ratio between the project operating profit and the debt repayments in a certain period (as examined on an annual level).

151 As a general rule, a drop below a ratio of 1.1 will be grounds for calling the loan for immediate repayment and a drop below a ratio of 1.25 will be grounds for raising the interest rate that the loan bears. In most cases, compliance with the standards can be corrected by providing a deposit or paying off part of the loan.

152 Some of the loans taken by the joint project companies are fully guaranteed by the Company and in some loans the extent of the Company's guarantee is derived from multiplying the Company's holdings in the joint project corporation by 1.3.

For details regarding the financing agreements of Olmedilla, Sabinar and Sunprime, see Section 4.5.5 below.

4.5.2 Financing cost

Below are data regarding loans in effect taken out by the Group Companies and the average and effective interest rates for those loans as of December 31, 2021 and December 31, 2022[153]:

		Loan type	Balance as of December 31, 2022 (NIS thousands)	Interest (average weighted)	Effective interest rate (weighted average) (*)	Balance in NIS as of As of December 31, 2021 (NIS thousands)	Interest (average weighted)	Effective interest rate (weighted average) (*)
	Long-term loans							
Field of initiation and investment in Israel	Senior bank financing (**)	Variable interest	469,134	5.84%	5.89%	368,929	3.74%	**3.79%**
	Senior financing from project partners	Variable interest	728	3%	3.04%	857	3%	**3.04%**
	Inferior non-bank financing (Noy Fund) (***)	Variable interest	20,391	6.5%	6.5%	18,140	6.50%	**7.23%**
Field of initiation and investment abroad	Senior bank financing	Fixed interest	78,480	6.15%	6.15%	55,994	5.76%	**5.92%**
	Senior bank financing	Variable interest	259,006	3.4%	3.9%	---	---	**---**
	Shorts term loans							
Field of initiation and investment in Israel	Senior bank financing (**)	Variable interest	320,000	5.4%	5.46%	309,464	2.34%	**2.40%**
	Senior financing from project partners	Variable interest	---	---	---	---	---	**---**
	Non-bank financing	**Variable interest**	---	---	---	---	---	**---**

* Without considering commissions.

** Long-term senior financing is generally for project financing for systems in commercial operation, while short-term senior financing is generally project financing for systems under construction or ongoing contractor financing of the Company.

During the period from December 31, 2022 until the Report Date, the Group Companies took out credit in the total amount of approximately NIS 110 million, which was mainly used to finance senior bank debt.

[153] The amounts include all the loans taken by the Company and the other Group Companies, the balances are presented in their absolute value, without taking into account the percentage of the Company's holding. 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.

4.5.3 Credit with variable interest

Below are details about main variable interest loans taken by the Group Companies:

Purpose of the credit	Change mechanism	2022		2021		Interest rate (weighted average) near the Report Date
		Interest range	Credit amount as of December 31 (NIS thousands)	Interest range	Credit amount as of December 31 (NIS thousands)	
Israel project financing	Prime + 0.5% up to Prime + 1.9%	6.65-2.85%	810,253	2.1%-3.5%	697,387	About 3.08% (prime + about 1.48%)
European project financing	Euribor + 2% to Euribor +3.5%	5.7%-1.43%%	259,006	---	---	---
Working capital financing	N/A	---	---	---	---	---

4.5.4 Financing credit facilities

The Group Companies have financing credit facilities as detailed below[154]:

	December 31, 2022		December 31, 2021		As of the Report Date	
	Financing/credit facilities (NIS thousands)	Financing/credit used (NIS thousands)	Financing/credit facilities (NIS thousands)	Financing/credit used (NIS thousands)	Financing/credit facilities (NIS thousands)	Financing/credit used (NIS thousands)
Bank financing facilities for initiating Israel projects	1,025,134	789,134	958,393	678,393	1,025,134	809,034
Bank financing facilities for initiating European projects	825,660	259,006	---	---	1,321,000	349,006
Financing facilities from the Noy Fund for project initiation (*)	60,000	20,391	60,000	18,140	60,000	20,391

(*) For details regarding the terms of the credit facilities, see Section 4.5.5 in the Description of the Corporation's Business chapter for the year 2020, which is included in this report by way of reference.

[154] With the exception of the Company's own bank credit facility as the contractor for the construction of the systems, the utilization of the rest of the bank credit facilities is subject to compliance with various conditions required by virtue of the terms of the contracts with the financing banks.

4.5.5 Significant funding

Below are details about 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 they are presented in the Company's financial statements for December 31, 2022:

Loan no.	Borrower	Lender	Balance as of December 31, 2022 (NIS millions)	Interest and linkage terms[155]	Repayment dates	Financial benchmarks and compliance calculation as of December 31, 2022	Notes / additional material conditions			
							Breach event, Cross default	Collateral, pledges and guarantees and their amount in the financial statements	Recourse rights	Additional information
1.	The Company	Holders Bonds	614	1.48% per year	10% - 30 June 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% - 31 December 2027	Equity - NIS 2,525 thousand Solo equity ratio to solo balance sheet - 55.5%[156]	Breach of the obligations contained in the trust deed, imposition of foreclosure, appointment of an official, insolvency proceedings, material adverse change, suspension of trading on the stock exchange, illegal obligation, immediate liquidation by other subjects.	The Bonds are not secured by any collateral. However, there is a commitment to a current general negative pledge on all of its assets	Debt of the Company	For details regarding the terms of the Bonds, see Appendix A to the Board of Directors' Report as well as the Shelf Offer Report published by the Company on August 12, 2021 (reference no.: 2021-01-131616), included in this Report by way of reference.

[155] The description does not include transaction fees (including credit provision fee, facility cancellation fee and facility non-utilization fee) and arrears interest.

[156] Solo equity as of December 31, 2022 - NIS 1,618 thousand; Solo net balance sheet as of December 31, 2022 - NIS 2,917 thousand.

Loan no.	Borrower	Lender	Balance as of December 31, 2022 (NIS millions)	Notes / additional material conditions						
				Interest and linkage terms[155]	Repayment dates	Financial benchmarks and compliance calculation as of December 31, 2022	Breach event, Cross default	Collateral, pledges and guarantees and their amount in the financial statements	Recourse rights	Additional information
2.	Olmedilla	Bank corporations In Spain	209	Euribor + 2% to Euribor +2.75% (increasing throughout the loan period)	Principal - unequal payments as of September 30, 2022 until March 31, 2040. In addition, the agreement includes a Sweep Cash mechanism, which accelerates the repayment of the loan for 14 years. Interest - twice a year together with the principal.	Starting from the COD date and provided that the system has been active for at least 12 months, - historical debt coverage ratio (DSCR) for the last 12 months that will not be less than 1.05 calculated every six months on June 30 and December 31. Since the project is connected to the grid less than 12 as of December 31, 2022 - N/A. Maximum leverage ratio of 56%. As of December 31, 2022, the leverage ratio is 43%. Maintaining reserve accounts and minimal equity in the project. As of the Report Date, Noy Nofar Europe provided bank guarantees in lieu of deposited cash in the reserve accounts.	Customary grounds, including violation of obligations included in the agreement, non-compliance with financial criteria, non-completion of equity due to budget deviations and/or the establishment of the infrastructure for the connection to the electricity grid by the subsidiary, violations of material agreements of the project company or damage to their validity, deviations from the timetables for completing the construction of the system by more than 6 months, damage to the validity of the project's licenses and permits, change of control of the project company, such that Noy-Nofar Europe will cease to hold at least 95% of the holdings in the project company and also if the project company ceases to hold at least 40% in Hive Grid (an infrastructure company connection to a shared grid to Olmedilla and Sabinar), Insolvency of borrowers, right to call for immediate repayment, cancellation of credit line By another creditor, damage to projects, change of control of borrowers, etc.	Liens on the rights of the project company by virtue of all the project agreements, a lien on 40% of the Hive Grid shares, promissory notes for the shareholder loans, the commitment of the shareholders to provide additional equity to cover budget deviations in the amount of approximately EUR 10.7 million and to guarantee the repayment of the loan in the next 12 months, which are backed with bank guarantees as well as additional collateral as may be required in the event of a violation and/or decrease in the coverage ratio to 1.1. Permanent lien and negative lien on all the borrower's assets in the solar project and the project agreements. Pledge of the borrower's shares and relief of debts, Andromeda and its shareholders.	There is an shareholder commitment to support the project backed by a bank guarantee. The agreement includes representations and commitments as is customary in transactions of this type.	Financing credit facility in the amount of EUR 71.5 million plus bank guarantees. The credit facility can be realized subject to the provision of equity in the amount of 19.3 million euros, compliance with leverage ratios at a maximum rate of 56% and the existence of sufficient means to complete the construction of the project. In a facility valid until the earliest of 6 months from the planned date for the construction of the project (which is set for the end of March 2022 or the date of the COD). For more details, see Section 3.3.8 of the Company's annual report for 2020, which in included herein by way of reference. The loan bears interest on a Euribor basis, hedged for a period of 14 years and with an additional margin of 2%-2.75%.

Loan no.	Borrower	Lender	Balance as of December 31, 2022 (NIS millions)	Interest and linkage terms[155]	Repayment dates	Financial benchmarks and compliance calculation as of December 31, 2022	Notes / additional material conditions			
							Breach event, Cross default	Collateral, pledges and guarantees and their amount in the financial statements	Recourse rights	Additional information
3.	Sunprime Generation S.r.l. and Sunprime Energia Distribuita S.r.l.	A consortium of lenders led by an Austrian banking corporation	A credit line of up to 150 million dollars used to establish solar projects with a capacity of approximately 216 megawatts. As of December 31, 2022, the balance of the loan is about EUR 13 million.	Euribor + 2.5% to Euribor +3.5%	Principal - unequal payments as of June 30, 2024, and until December 31, 2040. In addition, the agreement includes a Cash Sweep mechanism, which accelerates the repayment of the loan, so that it will be repaid in full by June 30, 2032. Interest - during the facility term, the interest payments are every 3 months and then twice a year together with the principal.	Starting from the date of the first payment for the loan principal - historical ADSCR for the last 12 months will not be less than 1.05. As of December 31, 2022, Sunprime is not required to comply with this ratio.	The agreement includes customary grounds for immediate repayment, including violation of the agreements detailed in the agreement ("the material agreements"), insolvency of the borrowers, Andromeda, and a party to the material agreements, right to immediate repayment or cancellation of a credit line by another creditor, damage to projects, non-compliance with the terms of the GSE, or a substantial change in its terms or ownership, a situation where less than 85% of the projects operate under the GSE arrangement in accordance with the provisions of the agreement, a change in control of the borrowers, etc.	Permanent lien and negative lien on all borrower assets in the solar projects and project agreements. Pledge of the shares of the borrowers and subordination of the debts of Sunprime, Andromeda and their shareholders.	The agreement includes representations and commitments as is customary in transactions of this type. Also, to the extent that during the period until the completion date the interest rate increases, Holding Sunprime (the holding company in the Sunprime group), will be required to provide borrowers with a shareholder loan, in order to ensure that the borrowers meet the equity-to-debt ratio. Such a loan will be provided, if provided, by a financial investment of the Company and Noy Fund (40:60). Also, as part of the financing agreement, Andromeda signed a guarantee to secure the obligations of the construction and maintenance contractor in the Sunprime Group by virtue of the construction and maintenance agreements, and Noy Nofar Europe undertook to provide a bank guarantee in the amount of up to EUR 9 million, to guarantee the obligations of the construction and maintenance contractor by virtue of the construction and maintenance agreements (as of the Report Date, a bank guarantee in the amount of EUR 2.5 million was provided, which is expected to increase according to the rate of realization of the credit limit).	The facility is valid until December 2022. The agreement includes various limitations in relation to distributions by the borrowers after the end of the facility period, including that the historical and expected ADSCR ratio will not be less than 1.1, the price of electricity is not lower than the price determined in the GSE tender process, there are no grounds for immediate repayment of the loan, and the distribution will not cause for the aforementioned grounds. For additional details, see the immediate report published by the Company on October 18, 2022 (reference no.: 2022-01-102894), and November 6, 2022 (reference no.: 2022-01-107304) which is included in this Report by way of reference. For details regarding the terms of the financial closing of the Sunprime financing transaction, see the immediate report published by the Company on November 6, 2022 (reference no.: 2022-01-107304), which is included in this Report by way of reference.

Loan no.	Borrower	Lender	Balance as of December 31, 2022 (NIS millions)	Interest and linkage terms[155]	Repayment dates	Financial benchmarks and compliance calculation as of December 31, 2022	Notes / additional material conditions			
							Breach event, Cross default	Collateral, pledges and guarantees and their amount in the financial statements	Recourse rights	Additional information
4.	Sabinar	German financial body	A credit facility of EUR 132.5 million, of which a total of about EUR 80.1 million can be withdrawn by July 2023, and an amount of approximately EUR 51.8 million by March 15, 2024.	4.6%	Principal - unequal payments as of June 30, 2024, and until June 30, 2046. Interest - on June 30 and December 31 starting from the date of the first withdrawal.	Historical ADSCR for the last 12 months will not be less than 1.05. As of December 31, 2022, compliance with the ADSCR ratio is not required.	The agreement includes acceptable grounds for immediate payment, including late payment; breach of the financing documents or project agreements (as defined in the loan agreement) by the borrower and its shareholders; Cross Default in respect of debt/debts of the borrower and its subsidiaries in an aggregate amount exceeding EUR 200 thousand, change of control without the approval of all lenders; insolvency proceedings; insolvency of parties to the project agreements; material adverse change; if by October 31, 2023 Sabinar I does not reach COD as defined in the financing agreement etc.	First lien on all project assets, funds, properties and rights that the borrower may receive from the project agreements and energy revenues, the borrower's bank accounts, the borrower's shares in the corporation that owns the joint venture together with Olmedilla Hive SL, as well as a lien on the borrower's shares, and the rights of the borrower's shareholders and Noy Nofar Europe by virtue of the shareholder loans that have been provided and/or will be provided to the borrower. In addition, there is an obligation of the borrower to provide additional collateral in the event of the occurrence of certain events that grant the right for immediate repayment or non-compliance with the LLCR ratio.	The financing documents include a commitment by Andromeda to provide a total of up to EUR 25.2 million for payment of certain expenses specified in the agreement.	The agreement includes various limitations in relation to the distributions by the borrowers, including the completion of the construction of the projects, to the satisfaction of the technical advisor, the payment of the first principal payment, that the historical and expected ADSCR ratio will not be less than 1.2, the LLCR ratio will not be less than 1.2, the amount of the distribution does not exceed the net cash flow or the amounts available for distribution, whichever is lower, depositing the required amounts in the principal for debt service and maintaining an operating reserve, there are no grounds for calling the loan for immediate repayment, and the distribution will not cause such grounds. In addition, the agreement includes a commitment that there will be no change of control of the borrower (change of control means - a decrease in Andromeda and Eranovum's[157] holdings below 100% during two years from the date of Sabinar II's commercial operation, after which Andromeda and Eranovum will cease to hold control of the borrower). For additional details, see the immediate report published by the Company on February 19, 2023 (reference no.: 2023-01-015742), which is included in this Report by way of reference.

[157] Eranovum is a corporation held by a local group of developers, which is responsible for the management of the Sabinar and Olmedilla projects, holing 10% of the rights in the borrower ("Eranovum").

4.5.6 Additional restrictions and pledges

As of the Report Date, most of the rights in the assets of the Company and the assets of the joint project corporations are pledged in fixed pledges in favor of banking corporations, in fixed pledges and in floating (current) pledges, as the case may be.

As part of most lien documents in favor of the banks, restrictions on change of control/ownership of the developer (i.e. the Company and/or a corporation under its control and/or the joint project corporation) are included, and in some cases, guarantees are also included for the developer's obligations (including the Company).

Also, as part of some of the lien documents of the Company and its subsidiaries in favor of the banks, there are restrictions on making distributions by and/or to the Company.

Also, the Company's vehicles (provided to the Company's employees) are pledged with permanent pledges in favor of leasing companies.

For additional details regarding the pledges and guarantees, see Note 17 of the Company’s financial statements as of December 31, 2022.

4.5.7 Credit for the coming year

In the Company's estimation, in the coming year, the Group Companies will be required to raise financing and senior project financing in an estimated amount of hundreds of millions of additional NIS for the purpose of financing the construction of the projects.

In view of the fact that as of the Report Date, no agreements have yet been signed for receiving the credits detailed in this section above, as of the Report Date, there is no certainty regarding the conclusion of the aforementioned financing agreements and the receipt of the credits.

4.6 Taxation

See Note 29 of the Company’s financial statements as of December 31, 2022.

4.7 Material agreements

4.7.1 Sunprime Investment, Loan and Shareholder Agreements

In February 2021, Andromeda entered into an agreement and completed a transaction to make an investment in Sunprime Holding SRL. For details regarding the terms of the agreement, see Section 4.7.5 in the Description of the Corporation’s Business chapter in the Company's annual report for 2020 as well as immediate reports published by the Company on February 1, 2021 (reference no. 2021-01-12418) and February 7, 2021 (reference no. 2021-01 -015135), which is included in this Report by way of reference.

On March 14, 2023, Andromeda entered into investment and loan agreements with Sunprime Holding (hereinafter in this section: the “Agreements”). The agreements set forth Andromeda's right to convert shareholder loans in the amount of EUR 15 and 7.5 million (a total of EUR 22.5 million) provided by in July and October 2022, to shares at the rate of 5% and 1.5%, respectively, from the share capital of Sunprime Holding, so that after the conversion, Andromeda will hold shares at the rate of 56.5% of the share capital of Sunprime Holding.

In addition, the agreements include a commitment by Andromeda to provide Sunprime Holding with a convertible shareholder loan in the amount of up to EUR 17.5 million (hereinafter in this section: the “**Shareholder Loan**”). The Shareholder Loan will be convertible into up to 3.5% of Sunprime Holding's shares, by December 31, 2025, such that after its conversion, Andromeda will hold shares at the rate of 60% of Sunprime Holding's share capital.

The Shareholder Loan will be provided according to the remaining shareholders' demand, will bear interest at an annual rate of 9%, and will be repaid until five years have passed from the date of its provision, in a cash sweep mechanism, in semi-annual payments, under the conditions specified in the agreements. In addition, according to Andromeda's demands, the other shareholders of Sunprime Holding will place a lien on their holdings in Sunprime Holding or a bank guarantee to secure repayment of the Shareholder Loan.

As part of the agreements, it was determined that at the time of signing, Sunprime Holding will repay a total of EUR 1.3 million from the Shareholder Loan advanced to it by its other shareholders (with the exception of Andromeda) (hereinafter in this section: “**Sunprime Management**”) and will also repay an additional sum of EUR 1.7 million after the capacity of the connected systems of Sunprime will reach 300 MWp. The balance of the loan will be repaid in accordance with the aforementioned Shareholder Loan agreement.

The loan agreement includes customary grounds for immediate repayment, such as using the loan funds not for the purpose for which they were provided, failure to pay on time, entry into liquidation or insolvency proceedings, etc.

Shareholders agreement

At the time of entering into the agreements, an amended shareholders' agreement was signed by Andromeda and Sunprime Management, which includes provisions regarding the management of Sunprime Holding, the manner of managing the members of the Sunprime Holding board of directors, the manner of decision-making in the Sunprime Holding board of directors (as long as the two senior managers of Sunprime hold 20% and Sunprime Management hold 35%, the decisions are subject to the approval of a director appointed by Andromeda and a director appointed by Sunprime

Management), provisions regarding the appointment of a CEO and CFO, provisions regarding the signing rights in Sunprime, resolutions in the general meeting subject to the unanimous consent of all shareholders, a block on the sale of shares by Sunprime Management until December 2027 and then a right of first refusal, Tag Along to Andromeda as well as a right of first offer to Sunprime Management in the event of a sale of shares by Andromeda.

For additional details regarding the terms of the agreements, see the immediate report published by the Company on March 15, 2023 (reference no.: 2023-01-027261), which is included in this Report by way of reference.

4.7.2 Blue Sky purchase agreement

On May 25, 2021, Nofar USA entered into agreements with Blue Sky and its shareholders (hereinafter in this section: the "**Founders**"), for the purchase of 67% of the rights in Blue Sky for a total of USD 26 million (subject to adjustments), of which a total of USD 20 million was paid to Blue Sky and a total of USD 6 million minus adjustments and funds in trust was paid to the Founders.

In addition, on the completion date, which occurred on July 3, 2021, the Group provided Blue Sky with a credit line of up to USD 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 the withdrawal specified in the agreement. The loan funds will be repaid on a cash sweep basis from the net free cash flow of Blue Sky and will be secured by a lien on Blue Sky's assets and a lien on the rights of the Founders in Blue Sky. By December 31, 2022, Nofar provided loans in the total amount of about USD 12 million from the credit facility.

Also, on the completion date, employment agreements were signed by Blue Sky and the Founders, and partnership agreements between Blue Sky, Nofar USA and the Founders regarding the management of Blue Sky and the tax arrangements that will apply to them.

For additional details regarding the purchase agreement, see immediate reports published by the Company on May 25, 2021 (reference no.: 2021-01029851), and July 6, 2021 (reference no.: 2021-01-049006) which is included in this Report by way of reference.

4.7.3 Cooperation agreement with Electrum

On October 28, 2021, Nofar Europe entered into an agreement with Electrum regarding a joint holding in Electrum Nofar, which is engaged in the initiation, development, financing and holding of solar and wind systems with a capacity of up to 1,250 megawatts.

On March 3, 2022, Electrum Nofar entered into an agreement with Electrum to purchase a portfolio of projects with an estimated capacity of approximately 412 megawatts, which were purchased and/or developed by Electrum prior to the establishment of Electrum Nofar. During 2022 and the as of the

Report Date, Electrum Nofar is working to locate and develop additional solar and storage projects in Poland.

As of December 31, 2022, the balance of the loans provided by Nofar to Electrum Nofar totaled approximately NIS 63.9 million.

For additional details, see the immediate reports of November 21, 2021 (reference no.: 2021-01-168729), and March 6, 2022 (reference no.: 2022-01-022056) which is included in this Report by way of reference.

4.7.4 Atlantic Green Foundation Agreement and UK Project Procurement

In December 2021, the Company entered into an agreement in a cooperation agreement with the Interland Group regarding the establishment of Atlantic Green, which is engaged in the initiation of storage projects using batteries (Standalone Battery Energy Storage Systems) and the acquisition of the rights in the Cellarhead project, a battery storage project with an estimated capacity of approximately 700 megawatts. For details, see the immediate report published by the Company on December 19, 2021 (reference no.: 2021-01-181458), which is included in this Report by way of reference.

In addition, on April 27, 2022, Atlantic Green entered into an agreement to purchase all the shares of the corporation that holds the rights to establish the Buxton project, a storage project with a total capacity of 30 megawatts and supply storage capacity with an estimated capacity of approximately 60 watts per hour, assuming the use of batteries with a storage capacity of two hours. For additional details, see the immediate report published by the Company on April 28, 2022 (reference no.: 2022-01-042828), which is included in this Report by way of reference.

Also, on February 22, 2023, Atlantic Green entered into an agreement to purchase the entire share capital of a corporation that holds the rights to establish the Toton project consisting of two adjacent storage projects with an estimated grid connection capacity of approximately 130 megawatts and a storage capacity provider with an estimated capacity of approximately 260 megawatts hour, assuming the use of batteries with a storage capacity of two hours. For additional details, see the immediate report published by the Company on February 22, 2023 (reference no.: 2023-01-016849), which is included in this Report by way of reference.

As of the Report Date, Atlantic Green is engaged in preparing for the establishment of the Cellarhead and Buxton projects, after receiving the necessary approvals to complete their purchase and start their construction, and is engaged in initiating and locating additional storage projects in the UK.

As of December 31, 2022, the balance of the loans provided by Nofar to Atlantic Green totaled approximately NIS 9.9 million.

4.7.5 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, the operation of the projects, including their connection to the electricity grid, 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 of the Description of the Corporation's Business chapter in the 2020 Annual Report, the immediate report published by the Company on March 24, 2021 (reference no.: 2021-01-042624), Note 6(d) and 6(h) in the Company's financial statements as of September 30, 2022, as well as immediate reports published by the Company on March 6, 2022, April 3, 2022, July 27, 2022, August 8, 2022, and August 21, 2022 (reference no. 2022-01-022086, 2022-01-035163, 2022-01-077409, 2022-01-099826 and 2022-01-105817, respectively), which are included herein by way of reference.

4.7.6 Sabinar Project

For details regarding the rights purchase agreement in Sabinar Hive S.L., see the immediate report published by the Company on February 16, 2021 (reference no.: 2021-01-018453), as well as Section 3.3.5.3 of the Description of the Corporation's Business chapter in the Company's 2020 annual report, which is included in this Report by way of reference.

4.7.7 Ratesti Project

For details regarding the agreement for the purchase of the rights in Ratesti Solar Plant SRL and the cooperation agreement and management agreements with Econergy, see immediate reports published by the Company on May 27, 2021 (reference no. 2021-01-031756), July 4, 2021 (reference no. 2021- 01-110811) and November 7, 2021 (reference no. 2021-01-094738), which are included herein by way of reference.

4.7.8 Acquisition of a backlog of projects in Poland with a capacity of approximately 185 megawatts

For details regarding the portfolio purchase agreement for projects in Poland with a capacity of 185 megawatts, see the immediate report published by the Company on November 24, 2021 (reference no.: 2021-01-170472), which is included in this Report by way of reference. It should be noted that during the Report Period, the Company and the sellers reached an agreement regarding the downgrading of certain projects due to their non-compliance with the characteristics of the projects stipulated in the purchase agreement. It will also be noted that August 2023 will be the deadline for completing the transaction, and that as long as the projects do not reach readiness for construction and the Company does not waive the conditions precedent for completion, the purchase agreement will be terminated and the Company will receive the advance funds it made under the agreement.

4.7.9 Acquisition of projects in Romania

On May 2, 2022, Nofar Europe BV, a corporation owned by the Company at a rate of 90%, entered into an agreement to purchase the entire share capital of corporations engaged in the initiation of a solar project in Romania (Iepuresti project), with a capacity of approximately 169 megawatts at the time they reach the "ready to build" stage. The agreement includes an option to purchase additional projects with a capacity of up to 231 megawatts (400 megawatts in total). As of the Report Date, the aforementioned corporations received approval to connect the project to the electricity grid with a capacity of 169 megawatts.

On July 14, 2022, Nofar Energy B.V. entered into an agreement for the purchase of all of the shares of a corporation engaged in the initiation of a solar project in Romania, with an estimated capacity of approximately 225 megawatts, located in close proximity to a high voltage line that allows the direct flow of the electricity produced by the project to the high voltage line. In accordance with the provisions of the agreement, the completion of the transaction and the transfer of ownership in the project company will be transferred to Nofar Europe BV at the time it reaches the "ready to build" stage.

On November 8, 2022, Nofar Europe BV entered into an agreement for the purchase of the entire share capital of a corporation engaged in the initiation of the Salvari project in Romania, with an estimated capacity of approximately 130 megawatts located in close proximity to the Lepuresti project and intended to be connected to the above-mentioned project's power grid. For more details, see an immediate report published by the Company on November 9, 2022 (reference no. 2022-01-108339), which is included in this report by way of reference.

On January 12, 2023, Nofar Europe BV entered into an agreement to purchase the entire share capital of a corporation engaged in initiating a solar project in Romania, with an estimated capacity of approximately 72 megawatts. The project is about 70 km from Bucharest and is expected to receive all the required permits in the coming months. The Company is preparing to go into construction with the estimated date of connection being in 2025.

4.7.10 Cooperation with the Milgam Group

On May 30, 2022, the Company entered into a strategic cooperation agreement with the Milgam Group Ltd. regarding the establishment of a partnership that will operate in the production and sale of electricity using renewable energies, an energy storage system and electricity supply in the public sector, as well as in the installation and operation of charging stations for electric vehicles.

On August 8, 2022, the transaction was completed and accordingly the Company invested an amount of approximately NIS 63.3 million against the issuance of shares in Nofer Milgam Ltd. (the partnership established by the aforementioned companies), which will be used to finance the joint activity in the field of energy and charging stations. After the use of this amount, each of the parties will make available their part for the financing that Nofar Milgam Ltd. will require.

4.7.11 Increasing the holdings of Noy Nofar Renewable Energies Europe Limited Partnership

On December 28, 2022, the Company entered into an agreement with Noy Funds, Noy Nofar Renewable Energies Europe Limited Partnership and its general partner regarding the purchase of 12.5% of the rights in Noy Nofar Europe Limited Partnership and its general partner, and obtained control with holdings of 52.5% of the rights in them. For additional details, see the immediate reports dated December 29, and 31, 2022 (reference no.: 2022-01-123948 and 2022-01-124926, respectively), which is included in this Report by way of reference.

It is noted that following a delay in the financial closure of the Sabinar project, the Company has not carried out the additional payment in the amount of EUR 29.34 million, and as of the Report Date, it is negotiating with the Noy Fund regarding the date of its repayment.

4.8 Environmental risks and their management

4.8.1 Aspects related to environmental protection

Environmental quality aspects related to the Group's activities may be in regard to the design of the photovoltaic systems and the storage systems, the replacement of the asbestos roofs on which the systems are erected and the removal of wear and tear of their components at the end of their activity.

As part of the statutory furthering of the establishment of ground solar systems and on top of reservoirs and large storage systems, environmental considerations and the impact of the systems on the environment are considered, including in terms of land utilization and landscape-environmental impact, treatment of animals, water pollution, soil pollution, visibility, noise, etc.

Dismantling asbestos roofs in Israel is carried out in accordance with the provisions of the Law for the Prevention of Asbestos and Harmful Dust, 5771-2011, by an asbestos contractor with an appropriate license and after receiving demolition and evacuation permits from the Ministry of Environmental Protection.

The storage systems used by the Company are based on LFP (Lithium Iron Phosphor) technology batteries. To the best of the Company's knowledge, this compound is considered the safest of all existing lithium batteries. However, there is a risk of the batteries catching fire, which may be caused by uncontrolled discharge/charging and heating. 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 stops its operation to prevent overheating that could cause a fire. Should such a fire occur, the cases are built in such a way that they contain the fire inside them and can let the cells burn safely and without causing damage to the environment. In addition, Tesla systems are based on liquid cooling in a closed system that is remotely monitored for any leaks. In addition, the system contains a reservoir for absorbing the aforementioned liquids.

Regarding the wear and tear of the system components in Israel, within the framework of the Law for Environmental Treatment of Electrical and Electronic Equipment and Batteries, 5772-2012, an obligation was established for the owner of electronic equipment and batteries that is not from the private sector to contract with a recognized implementation body for the disposal of the equipment waste in its possession. The Company estimates that as long as there is no change in the law, the implementation of this obligation will not involve a substantial cost to the Company.

4.8.2 Description of environmental risks

As of the Report Date, the Company is not aware of material environmental risks that have or are expected to have a material effect on the Group, or of legal provisions in the field of environmental risks that have material consequences 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 provisions of the law regarding environmental risks are mainly relevant when initiating the systems (in different countries, the Group is required to carry out various environmental surveys as a condition for obtaining the permits, setting up the systems and dismantling them as detailed above). These surveys are part of the project development costs.

4.8.4 Environmental Risk Management Policy

The policy of the Group Companies in managing environmental risks focuses on adapting the Company's activities to the legal requirements regarding environmental risks, in order to minimize possible negative effects on the activities of the Group Companies. Risk management is carried out by the country managers in each territory who carry out ongoing monitoring of the regulatory developments concerning the activities of the Group Companies, including in the area of environmental risks in a manner consistent with the provisions of the law.

4.8.5 Legal proceedings

As of the Report Date, the Company or its officers are not party to legal proceedings (including substantial legal or administrative proceedings) related to environmental protection. Also, the Group Companies were not a party to the aforementioned procedure. In addition, as of the Report Date, no amounts were settled or provisions recognized in the financial statements and there were no other environmental costs were applicable to the Group Companies.

4.9 Limitations and supervision over the corporation’s activity

The regulatory framework on which the Group's activities in Israel are based is the legislation relevant to the electricity sector through the Electricity Sector Law, 5714-1954, the regulations and rules issued pursuant thereto, as well as the decisions of the Electricity Authority, including standards books and decisions of the Government of Israel and the Ministry of Energy and Water.

In addition, the activity in the field of renewable energy is subject to the approvals of various regulatory bodies and institutions, such as: local authorities, the electric company, the system management company, planning and construction bodies, various government ministries (such as the Ministry of Agriculture, the Ministry of the Interior and the Ministry of Defense) and decisions, procedures and standards adopted by the operating bodies on their behalf, which are required mainly before the construction of the facility and the beginning of its commercial operation.

Below is a concise overview of the additional regulation that exists in the field in Israel, as of the Report Date:

4.9.1 Regulation of activity in the electricity sector in Israel

The Company's activity is subject to the provisions of the Electricity Sector Law for decisions and regulations published by the Electricity Authority (responsible for the regulation of the electricity sector in Israel), from time to time. Until a few years ago, the electricity sector in Israel was almost exclusively controlled by the IEC, which is defined, according to the Electricity Sector Law, as an "essential service provider," being the administrator of the system, and the owner of the electricity transmission and distribution grid in Israel.

Over the past few years, a comprehensive reform in the electricity sector market has been approved, which includes: separating the administration of the electricity system from the IEC and transferring it to a government company (System Management Company Ltd.); Reducing the volume of activity of IEC in the production segment; increasing the production capacity of private electricity producers by establishing private power plants, privatizing IEC's power plants and selling potential areas for the establishment of additional production sites; opening regulatory barriers[158]; increasing production quotas in renewable energy; opening the electricity supply segment to competition; the possibility of setting up systems operating under different regulations in one place of consumption, the market regulation (which allows electricity producers to sell electricity directly to suppliers or at SMP rates (half-hourly marginal price) for feeding electricity into the grid), changing the groups of demand hours and rates in order to incentivize consumers to consume electricity during the hours where is no high demand for consumption,[159] etc. According to the publications, the purpose of the reform is to bring

[158] For example, the removal of barriers in relation to the transmission grid, which enables the connection of renewable energy power generation facilities at high voltage.

[159] For more details, see Electricity Authority decision No. 63609 - Update of demand hour files.

about a concentration of effort by the Electric Company in the development of the transmission segment, which has been underdeveloped in the last decades, and which, in the Company's estimation, constitutes one of the significant barriers in the development of the electricity sector based on renewable energy in Israel.[160]

As part of the Electricity Law, it is established that it is not possible to carry out activity in the field of electricity, including production, storage and supply of electricity, without obtaining an appropriate license, with the exception of a number of exceptions defined in the aforementioned law. The authority to grant electricity production licenses rests with the Electricity Authority.

4.9.2 Regulation of real estate rights and receipt of construction permits

The establishment of ground solar systems and large electricity storage systems are subject to regulation in the land on which the systems are erected (proof of ownership in the land, lease right or rental right), depending on the extent to which the system is promoted.

In addition, the Group Companies are required to obtain the approvals required to change the land use and obtain building permits (Planning Permission, Spatial Plan, Location Decision, Zoning Plan, Building permits, etc.), which vary from country to country.

4.9.3 Connection confirmations

The establishment of solar systems and storage systems is subject to obtaining the approval of the transmission grid or the distribution grid (depending on the size of the system), to connect the system to the electricity grid (answer from the distributor). Obtaining such permission is subject to submitting a request for connection (Grid Connection Application), and in some countries also depositing a guarantee, and entering into a grid connection agreement that regulates the date of connection, the size of the connection, connection costs, required investments in the electricity grid, limitations regarding the flow of electricity into the grid and the conditions of the connection.

4.9.4 Licensing of contractual engineering works and electrical works

The construction and maintenance activities include engineering and contracting works. The Civil Engineering Contractors Registration Law, 5729-1969, establishes licensing requirements and registration in the contractor's register of construction engineering works that exceed the financial scope or professional nature of the field as stipulated in the Regulations. For the purpose of carrying

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[160] As of the Report Date, connecting systems to the electricity grid is conditioned, among other things, on a free place for them in the electricity grid. In view of the limitation of the electricity grid, at times, in an area where several electricity producers operate (including renewable energy facilities), the Electricity Company provides a limited positive answer or a negative answer, which limits or does not allow the connection of the facility, since the grid in the area where they wish to connect the system is fully occupied.

out the activity of building the systems, the Company holds a valid license that is renewed from time to time (the current license is valid until the end of 2023) and is registered in the contractors' register from April 2017, according to the classification of contractors 1 of group A in the branch of electricity and communication in buildings (160) and in the branch of solar energy installations and photovoltaic cells (191).

As for the vehicle charging systems, their operation is also conditional on an electrician's inspection (certified according to the provisions of the Electricity Regulations (Licenses), 5745-1985) prior to commercial operation and at least once every six years).[161]

The Electricity Law, 5714-1954, requires the possession of a license for the purpose of performing electrical work. In order to carry out the construction and maintenance of the systems, the Company's contractor's license permits it to engage in electrical and communication work in buildings and solar energy facilities based on the skills of two employees. In addition, the Company uses the services of subcontractors who hold the required licenses.

4.9.5 Work safety regulation

As part of the construction and operation services that the Group Companies provide, they may be subject to the occupational safety laws that apply to the performance of relevant work, as well as the orders and regulations established pursuant to them, including the Occupational Safety Ordinance (New Version) 5730-1970 (hereinafter: the "**Safety Ordinance**"), the regulations and orders published pursuant thereto, the Labor Inspection Organization Regulations, etc., relating to safety aspects at work, including work at height, construction work and electrical work, the requirement to appoint a safety committee, a safety supervisor and a professional manager in the various projects. In accordance with the provisions of the Safety Ordinance, the Company entered into an agreement with a third party that provides the services of a safety officer.

4.9.6 Business licenses

In accordance with the Business Licensing Order (Businesses that Require Licensing), 5773-2013, power plants are required to have a business license. According to the Electricity Sector Law, a power plant is a facility used to produce electricity with a capacity exceeding 5 megawatts.

4.10 Legal proceedings

As of the Report Date, the Group companies are not party to any substantial legal proceedings.

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[161] For more details, see the Electricity Authority's Guidelines - instructions for installing a charging system for an electric vehicle (November 19, 2019).

4.11 Business strategy and objectives

The Company has set itself the goal of becoming a global green electricity producer, taking an active and leading part in the green energy revolution, while focusing on the areas of activity for the production and storage of electricity from photovoltaic energy, storage systems and wind energy, in Israel and abroad.

In accordance with this strategy, during the Report Period, the Company continued to promote:

(1) Maintaining its position as one of the leading companies in the field of renewable energy in general, solar energy and storage systems in particular.

(2) Deepening the activity of the platforms and increasing the Group's backlog of projects.

(3) Expanding the Company's property portfolio abroad.

(4) Development of platforms in additional territories around the world.

(5) Developing the portfolio of the Company's storage projects in Israel and abroad and using the storage technology in other territories, both in combination with solar systems and as independent systems.

In accordance with this strategy, the Group Companies operate according to the following objectives:

- **Expanding the Company's activity around the world -**The Company's plans regarding its activity in the global space are divided into four main axes of activity: (a) expanding its activity in the field of C&I through the existing growth platforms and possibly through new platforms; (b) Initiation and entry into projects in the initiation stages in the Utility segment through the Company's local platforms and beyond their establishment and long-term operation; (c) expansion in the field of storage while examining the integration of the activity in the frameworks of all the Company's platforms; (d) Creating new growth engines such as production from wind energy, charging stations for electric vehicles, electricity supply and more.

  a) The C&I field - The Company has platforms in the C&I field as follows: (1) The Sunprime company in Italy operates today in the field of solar roofs by winning tenders that guarantee the Company guaranteed rates for a period of 20 years. In addition, the Italian regulation allows for the postponement of the start date of the application of the fixed rate by 18 to 30 months. In the Company's estimation, this option will allow the Company to enjoy the market prices in Italy, which are higher than the rates guaranteed in the tender. As of the Report Date, Sunprime has projects with a capacity of approximately 46 megawatts have been connected or whose construction has been completed, approximately 204 megawatts with a guaranteed rate (including the projects whose construction has been completed), at the same time as a portfolio of projects under development. The Sunprime company won six times during the

Report Period in the tenders published by the GSE and is prepared to continue expanding its activities in the field; (2) The Blue Sky company in the USA which focuses on setting up solar systems on the roofs of commercial centers and selling electricity credits to the business owners in the complexes at rates based on high Retail rates. Blue Sky's growth strategy is based on signing agreements with real estate intensive REIT funds. At the same time as the existing platform activity, the Company is considering establishing platforms or entering existing platforms in other countries.

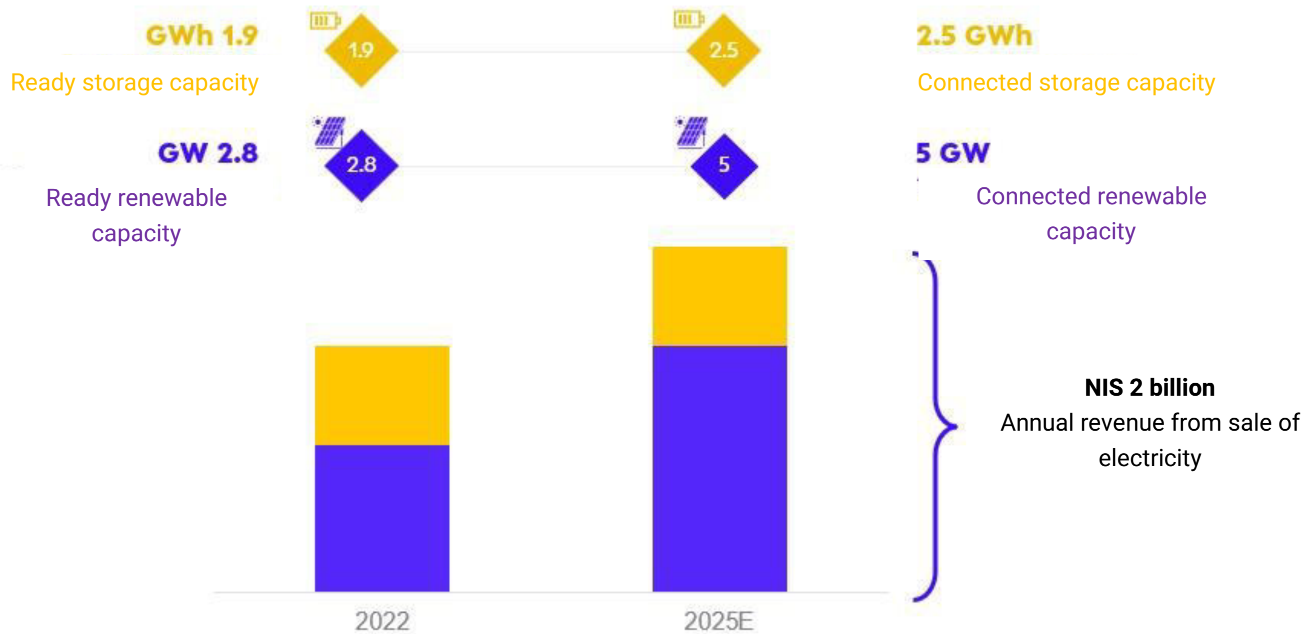
b) The Utility segment - The Company has projects in the Utility segment in Spain, Romania, Poland. At the same time, the Company has local initiation platforms that work to initiate projects or enter projects in the initiation stages in the above countries and in Great Britain, the Czech Republic and Serbia. According to estimates, these countries are expected to integrate large volumes of renewable energies in the coming years, which, in the Company's estimation, will create opportunities to promote quality projects in them. The business model in which the Company operates aims to flood value in the short term by entering projects in advanced initiation stages and at the same time generate high value in the medium term through independent development of projects. In the Company's estimation, the continuation of the recent high electricity price environment for longer periods will allow the Company to enjoy strong financial performance in the near term for the projects connected in the above countries. In addition, the Company is building global expertise in electricity trading with the aim of maximizing the value of the projects held by the Company. As of the Report Date, the Company is working to identify new territories, partners and potential projects, which will enable the expansion of the Company's activity in the field of utility projects.

c) Electricity storage - The Company identified the field of storage as a complementary field to solar activity and during the last year built an array and capabilities in the field. Today, the Company is furthering the Cellarhead storage project, which, to the best of the Company's knowledge, is one of the largest in the UK with a connection scope of 300 megawatts and an energy capacity of approximately 700 MWh. At the same time, the Company embarked on the construction of the Buxton project with a capacity of 60 MWh. Also, the Company entered into a third project, Toton, with a capacity of 260 MWh. This activity is promoted by the Atlantic Green platform, in which the Company holds 75%. Through Atlantic Green, the Company is considering entry into additional storage projects in the UK which are in various stages of initiation and development. At the same time, the Company is initiating additional storage projects in Poland, Spain and the USA which are expected to produce a future pipeline of projects for establishment and operation.

d) Additional growth engines - The Company aims to expand its activities in the coming years to additional tangential areas. During 2022, the Company launched activity in the field of charging stations for electric vehicles and in the supply of electricity to consumers. The Company intends to expand and establish its activities in the aforementioned fields. At the same time, the Company is considering entering the field of electricity production from wind energy. Beyond that, the Company will examine entry into other areas such as generating financing and trading in hydrogen and more.

- **Initiation activity in Israel -** Today, the Company’s activity in the field of initiation in Israel focuses on solar roofs, solar systems on water reservoirs and behind-the-meter storage facilities. The Company's growth engine in Israel is based on a significant array of partnerships with real estate intensive entities - kibbutzim and companies. The Company's growth strategy in Israel is based on expanding the existing activity within the existing partnerships, creating new partnerships and expanding into new areas of activity. It should be noted that the Group Companies have a license to supply electricity which, in the Company's estimation, along with its ability in the worlds of charging electric vehicles, allows it to offer a comprehensive value proposition to end customers. These activities are synergistic and create added value when combined together.
- **Goals -** The Company published an update to its goals regarding the supply of storage and production from renewables in 2025, in which it increases the goals.

Below is a graph describing the Company's goals in the field of renewables and storage, MW/MWh:



- **Development of the construction (EPC), operation and maintenance (O&M) capabilities of photovoltaic systems** - The Company's uniqueness lies in the fact that the Company, being a developer, construction contractor and operation and maintenance contractor, operates along the entire value chain of building solar systems and electricity storage systems. In the Company's estimation, this uniqueness gives the Company knowledge, experience and reputation and allows the Company to initiate projects that include the use of unique technologies (such as floating systems, storage facilities, etc.). The Company intends to continue to strengthen its construction, operation and maintenance capabilities, in a way that will also contribute to the activity of initiating ground systems and renewable energy systems outside of Israel.

The goals detailed in this section above, regarding the Company's strategy of operation, are forward-looking information, as defined in the Securities Law, based to a substantial extent on the Company's expectations and assessments regarding economic, sectoral and other developments, and their integration into these. These goals may not be realized or may be realized differently, including materially, from the Company's estimates listed above, due to factors beyond the Company's control, such as: difficulty in locating funding sources necessary for the development of the Company's activities, difficulty in establishing systems of the various types, difficulty in locating partners, difficulty in locating land to establish systems, the failure to obtain the approvals required for the establishment of the systems, difficulty in communicating with various parties necessary for the implementation of the Company's plans and goals, the non-publicization of competitive procedures

for the establishment of systems, changes in regulations, electricity rates, the costs of establishing the systems, the continuation of the Corona crisis and the restrictions imposed (and that will be imposed) in its wake, etc., in a way that will bring the Company to the conclusion that there is no economic feasibility for the implementation of the strategies listed above, etc. or the existence of one of the risk factors listed in Section 4.14 below.

4.12 Expectation of development in the next year

During the year 2022, the Company worked to build development platforms around the world at the same time as expanding and developing its backlog of projects in Israel and abroad. The Company aims to act in 2023 and 2024 to continue developing and expanding its backlog of projects in order to meet the Company's goals for 2025, while bringing maximum value to the shareholders, at the same time as finding sources to finance the construction of the various projects. For details regarding the Group Companies' backlog of projects, see Section 1.4 of the Board of Directors' Report.

Also, the Company intends to continue to create additional collaborations in Israel and other European countries as well as to continue to examine its entry into the field of electricity production activity using wind turbines. In addition, the Company will operate in the field of electric vehicles to initiate, develop, market, establish and operate charging stations for electric vehicles that will be placed in the public space in Israel.

The forecast of the development in the upcoming year, as set forth above, is forward-looking information, as this term is defined in the Securities Law, based significantly on the expectations and assessments of the Company regarding the realization of its business plan. These plans may not materialize or materialize in a materially different way than predicted by the Company, among other things due to factors beyond the Company's control, such as: difficulty in locating sources of funding necessary for the development of the Company's activities, difficulty in setting up the various types of systems, difficulty in obtaining the approvals necessary to set up the systems, changes in the regulations, changes in electricity tariffs, in the costs of setting up the systems, delays in the publication of competitive procedures, the continuation of the Corona crisis and the restrictions imposed (and that will be imposed) in its wake, etc., in a way that will bring the Company to the conclusion that there is no economic feasibility for the establishment of the systems, etc., and/or the realization of some of the risk factors in Section 4.14 listed below.

4.13 Financial information regarding geographic areas

For details about the Company's revenues broken down by geographic regions, see Section 1.4 of the Board of Directors' Report.

4.14 Discussion of risk factors

4.14.1 Macro-economic risk factors

4.14.1.1 Lack of funding sources and changes in interest rates - A necessary condition for the establishment of an electricity generation system and its commercial operation is the ability to raise credit, senior debt or mezzanine, which are required for the establishment of the systems. Therefore, the macroeconomic conditions of the economy in general and the credit market in particular, have a substantial effect on the Group's ability to raise debt. A slowdown in economic activity in Israel and/or in Europe and/or in the US and/or restriction of credit, for any reason, by banking corporations or institutional entities in Israel and/or in Europe and/or in the US, which provide the bulk of the senior debt of the Group Companies necessary to establish the systems for electricity generation, as well as an increase in the financing rates, could constitute a barrier to the ability to establish the systems for electricity generation and the realization of the Company's plans, or harm the viability of establishing the projects.

4.14.1.2 Exposure to changes in exchange rates - As of the Report Date, the Company is engaged in initiating systems in Israel, the USA, Spain, Poland, Romania, Italy, the UK, the Czech Republic, Serbia, and Greece, and is also considering entry into other territories. Most of the investments in these countries are made in the local currency (NIS, dollars, euros, pounds, zlotys, leu, krona, dinars, etc.), and the revenues in these countries are also expected to be received in the local currency, while as of the Report Date, the Company's funding sources are in NIS. Also, making an investment in foreign exchange may create balance sheet exposure for the Company. In addition, as part of the Company's contracting activity, a substantial part of the purchases of system parts are made from suppliers abroad in foreign currencies (mainly dollars and euros). Accordingly, the Group is exposed to changes in the exchange rates.

4.14.1.3 Exposure to changes in the index - Changes in the index affect the costs of setting up and maintaining the various systems, which affects the profitability of the various projects. In addition, an increase in the index affects the Company's financing costs. The Group Companies have several facilities in Israel for which the income from electricity is at a rate that is updated once a year in accordance with changes in the consumer price index. Accordingly, in respect of these systems, the Group has exposure to a decrease in the index. On the other hand, the rate paid for some of the systems owned by the Group Companies is fixed and is not linked to the index, which creates exposure for the Company to an increase in the index.

4.14.1.4 The state of the economy - Due to the nature of the Group's activity in the field of electricity production, a slowdown in economic activity, the state of employment, the state of the capital markets, changes in government policy and the policies of central banks in the various policies in which the Company is active, may adversely affect the results of the Group’s activities. In addition, the state of the global economy and the state of the markets in Israel, the USA and Europe may affect the Company's share price and its ability to raise capital and financing for its operations.

4.14.1.5 The increase in input prices - The increase in the price of inputs (including the prices of photovoltaic panels, trackers and storage components) may have an effect 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 will purchase its systems from the manufacturers and suppliers. Any such change may affect the Company's cash flow in the future and has the potential to affect the economic viability of purchasing and establishing the systems or their components.

4.14.1.6 Global changes in the supply chain and shipping costs - Significant global changes such as delays in the supply chains, delays in shipping times due to closures, weather, etc., an increase in shipping costs, wars, trade wars, and epidemics may lead to higher prices for raw materials, higher shipping costs, and delays in shipments that may lead to delays in establishing the Company's projects and to a decrease in their profits.

4.14.1.7 The security situation in Israel - A deterioration in the security situation in Israel could negatively affect the ability to initiate new projects in localities exposed to security risks. Also, a security incident in Israel may cause damage to the systems owned by the Group Companies in Israel. In addition, a significant security deterioration could cause the diversion of budgets from the field of renewable energy in Israel to other areas and thereby damage the scope of the market.

4.14.1.8 Gas and oil prices - A drop in gas and oil prices could have a negative impact on the viability of investing in the renewable energy sector, and cause the solar energy sector to be a more expensive and less economically attractive alternative (and vice versa). However, in light of the fact that the promotion of photovoltaic systems is carried out as part of a policy to reduce greenhouse gas emissions, in the Company's estimation this risk is not material in the Croup's areas of activity. In addition, a decrease in gas and oil prices may lead to a decrease in electricity prices, and accordingly in the Company's revenues from the various projects.

4.14.2 Industry risk factors

4.14.2.1 Non-publication of quotas and non-winning in competitive procedures - the Group's activity in Israel depends to a considerable extent on the publication of quotas and competitive procedures by the Electricity Authority. Failure to renew quotas or failure to win competitive procedures in Israel may have a negative impact on the Group's goals, plans and business strategy, regarding the establishment of additional systems in Israel.

4.14.2.2 Changes in the regulatory environment - As mentioned above, the Group's activities in the various countries are subject to the regulations and the obtaining of the regulatory approvals required to establish systems (connection approvals, construction permits, compliance with environmental requirements, etc.). The field of renewable energy is a developing field and therefore the regulation will continue to develop with it and even change and affect the Group's activities. Therefore, the realization of the Company's plans as well as its revenues are exposed to changes in the regulatory environment.

4.14.2.3 Dependence on obtaining permits and approvals - In order to establish electricity production systems, it is necessary to carry out work and obtain all the relevant approvals and permits from the various authorities (such as: the Electricity Authority, municipal bodies, electricity company, the manager of the distribution grid or the transportation grid, planning bodies and government offices such as the Ministry of Health, Ministry Agriculture, the Ministry of Environmental Protection, etc.). There is no certainty that all the permits and approvals will actually be granted or will be granted in accordance with the schedules planned for each project. In addition, the aforementioned permits may be subject to various conditions, which may result in the postponement of schedules, the forfeiture of guarantees, a decrease in project revenues or the cost of procedures, until the project becomes unprofitable and at times, even the loss of the connection approval or the cancellation of the quota that the Company won.

4.14.2.4 The electricity tariffs - The Group Companies in Israel have systems that operate by virtue of a net meter arrangement, competitive and default procedures that allow self-consumption of the electricity produced in the facility. The electricity rate paid to the Group Companies operating under these regulations is in accordance with and in relation to the rate paid by the electricity consumers at that time to their electricity supplier (IEC, a private electricity producer). In addition, Blue Sky's revenues are based on the electricity rates in the US minus a certain discount and the Company's activity in Europe is based on the electricity rates at the time of entering into electricity sales agreements (PPA) or within a competitive electricity trading market (electricity exchange). Accordingly, a decrease in electricity rates could damage the revenues from the systems operating under these regulations and the revenues of the systems that sell the electricity produced in them on the electricity exchange. In this context, it should be noted that after the energy crisis that afflicts Europe, the last few years are characterized by the increase in electricity prices in most European countries, which affects the returns of the projects. According to estimates, there is a high probability that in the coming years there will be a decrease in electricity prices. In addition, in 2022, the Electricity Authority changed the tariff rates and moved the peak hours to hours when solar systems are not active. This change negatively affects the income and yield of the various projects.

4.14.2.5 Weather conditions and climate changes -The Group's ability to generate electricity in solar energy systems, and the Group's income from selling electricity as mentioned above, are largely affected by weather conditions (radiation level and hours of radiation, temperature conditions, wind regime and other climatic parameters). Excessive cloudiness and weather conditions that are not optimal may significantly affect the output of the solar panels in a certain season, and as a result - the Group's income. Accordingly, a substantial change in the climate may have an impact on the revenues of the Group Companies and the results of their operations. Also, extreme weather conditions may also lead to delays in the establishment of projects or in extreme cases to delays in the delivery of the equipment and a temporary shutdown of the power generation systems. In addition, weather conditions may also have an effect on electricity prices, and accordingly on the Company's revenues in the markets where the Company has market exposure to electricity prices.

4.14.2.6 An increase in the prices of inputs - An increase in the prices of the components used by the Group (including the prices of the photovoltaic collectors, converters, coatings, lithium batteries, etc.), may affect the Group's profitability, and as a result also the economic viability of setting up the systems, as long as there is no correlation between the cost of the components and the rate obtained from the sale of electricity. It should be noted that until 2020 (inclusive) there has been a consistent price drop in the prices of the various components. However, during 2021, there was an increase in the prices of the various components, and during the year 2022 there was a decrease in prices.

4.14.2.7 Delays in component delivery dates - The Group is exposed to disruptions in the delivery of the various system components, as a result of various reasons (such as supply line disruptions, port closures or shutdowns due to security, health and strike events). These cases may cause a delay in the establishment of the systems, and accordingly also non-compliance with schedules and the forfeiture of guarantees provided by the Group Companies.

4.14.2.8 Costs of execution contractors and subcontractors - The construction activity of the systems is performed, among other things, through subcontractors. Accordingly, this activity outline exposes the Group to changes in the cost of hiring subcontractors, which may harm the economic viability of the various projects. In addition to the aforementioned, part of the development activity in Europe is carried out mainly through performance contractors (including their subcontractors). Accordingly, this activity outline exposes part of the Group's activities in Europe to changes in the ownership of the contractors (including their subcontractors), which may harm the economic viability of the various projects in Europe.

4.14.2.9 Exposure to the scope of electricity consumption and entering into electricity sales agreements with the customers in the area of the system - The Group's revenues from systems operating under consumer regulations as well as Blue Sky's revenues are received from the consumers or system managers in whose consumer areas the systems are installed. Therefore, difficulty in concluding an agreement for the sale of electricity with the consumers located in the system's territory, a decrease in the volume of electricity consumption by the consumer or the customers in the system's territory, the departure of customers or the taking of insolvency proceedings against the consumer, may harm the revenues of the joint project corporation, and accordingly the revenues of the Group. Accordingly, a decrease in electricity consumption, as well as an error in the calculation of the customers' electricity consumption at the time of the establishment of the project, difficulty in entering into an electricity sale agreement and the cessation of the customers' activity may result in a decrease in the revenues received from these systems or in revenues short of the Company's estimates.

4.14.2.10 Dependence on the Electric Company - As detailed in Section 3.1.6 above, part of the revenues of the Group Companies is received from the IEC. Also, the connection of the systems under construction, in preparation for construction, and licensing, which will operate by virtue of competitive procedures and tariff regulations, is expected to significantly increase the scope of the Group Companies' revenues from IEC. There is a risk that in the event of insolvency proceedings being taken against IEC, the income of these companies will be harmed. However, given the importance of IEC to the Israeli economy, the risk that IEC will not repay its liabilities is not high.

4.14.2.11 Violations on the part of the system administrator or an essential service provider - The flow of the electricity produced in the Group's facilities into the electricity grid and its sale depends, among other things, on the availability of the electricity grid to receive said electricity. Violations on the part of the electricity grid administrator (TSO and DSO), may cause the Group to be exposed to electricity that will not be accepted in the grid and that it is not compensated for.

4.14.2.12 The integrity of the facilities, natural disasters and terrorism The Group's income depends on the integrity of its system and the production of electricity from them. Therefore, the Group is exposed to natural wear and tear as well as problems with the integrity of its systems. Also, the Group may be exposed to terrorist incidents, vandalism, accidents, thefts, fires, etc. All of these may cause a delay in planned project schedules, an interruption of production and the flow of electricity to the grid, and additional costs. It should be noted that some of the aforementioned harmful events are supposed to be covered, at least in part, by the various insurance policies or under the responsibility of the construction contractor. In this context, it should be noted that the period of time needed to manufacture and install some of the system components (mainly transformers) is long and may last for many months. Accordingly, in the event of damage to the aforementioned transformer that requires its replacement, there may be an impact on the flow of electricity to the grid and receipt of payment for it. It should be noted in this context that during 2023 there was a fire in the substation of the projects in Spain, which caused a temporary stop in the flow of electricity to the grid, until the substation renewal work is completed. However, to the best of the Company's knowledge, the repair of the malfunction as well as the loss of income is covered under the responsibility of the construction contractor.

4.14.2.13 Disclosure on real estate issues - The establishment of electricity generation systems requires the creation of a tie to the land on which the systems are erected and the receipt of various permits and approvals for the purpose of transferring infrastructure and placing equipment required for the

Group's systems. The associated costs for the purpose of creating the tie may have a substantial effect on the level of viability and profitability in the projects that the Group promotes. These costs may be substantial in particular within the framework of the activity in Europe, when connecting ground systems in Europe to the electricity grid, from the land on which the system is installed, may require cooperation with adjacent land owners and the establishment of substantial and/or shared infrastructures for the purpose of connecting the systems to high voltage, including obtaining rights of use from land owners nearby, the transfer of long power lines and the construction of substations for switching from low voltage to high voltage in the electricity grid. Also, damage to the tie to the land intended for the establishment of the Group's systems as a result of the violation of the land agreements by virtue of which the tie is created 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 certain cases, in the case of real estate lien enforcement procedures, the lien owner may cancel the lease agreement with respect to the pledged real estate.

4.14.2.14 Non-compliance with schedules for the establishment of solar systems - To the extent that the Group Companies do not meet the schedules for the establishment of solar systems set forth in the various regulations or the dates set in the connection approvals, they may be exposed to the loss of the quota or the connection approval, and sometimes also to the forfeiture of guarantees given by the Group Companies as part of the winning in the competitive procedure or as part of the approval of the connection. Also, in the event of non-compliance with the schedules, additional costs that were not planned in advance may be imposed on the Group Companies, including substantial additional financing costs.

4.14.2.15 Competition - The field of renewable energy continues to develop, and attracts many initiatives, and therefore the competition in the industry is great and is expected to increase. Extensive competition in the industry may negatively affect the Group's ability to win projects, receive production quotas, as well as the cost of development, establishment and operation of the projects, and as a result on its plans, revenues, profits and cash flow. Also, a massive entry of competing solar projects, either through sales at market prices or as part of tariff tenders, in the markets relevant to the Group's activity in which electricity is sold to the grid at market prices, may lead to an effect in which electricity prices during the hours when the Group's solar projects generate electricity will drop more from an average decrease in electricity prices due to the effect known as “cannibalization”.

4.14.2.16 Limited manufacturer's warranty, wear and tear, loss of output and equipment repair expenses - The manufacturer's warranty of the equipment used to set up and operate the electricity generation systems is limited (either due to the expiration of the manufacturer's warranty period or due to the non-applicability of the manufacturer's warranty to a certain component) and is often very difficult to enforce. Therefore, control of an event that requires repair and/or replacement of the equipment may create financial costs for the Group Companies at the same time as loss of income, which may harm the Company's financial results and require the Group Companies to invest significant amounts.

4.14.2.17 Safety - The activity carried out by the Company within the scope of construction and maintenance activities involves safety risks arising from the performance of contract work, work at height, electrical work, etc. The Company takes the necessary safety measures to prevent work accidents or safety risks. However, the occurrence of such events may expose the Company and its employees to physical, mental, and financial harm, and may even have a negative impact on the Company's name and financial situation. The Company has insurance policies that cover claims for bodily and property damage. In the event that the insurance policies do not cover those damages, all or part of them, the Group may pay substantial sums to those victims.

4.14.2.18 Competition for the grid resource - The Company's activity in the various territories is characterized by competition in relation to obtaining a commitment for the date of connection to the grid from the authorized party (distribution companies, transmission companies, system administrators, etc.). Not only do these processes involve in most cases the posting of guarantees in large sums, but they have an element of uncertainty regarding the connection date that does not depend on the Company. To the extent that the authorized party does not have the ability to connect the Company's facilities to the grid, then in most cases the commercial operation of the facility will be postponed and accordingly the revenue projections that the Company expected may not be fulfilled. In addition, in the event of the lack of ability to connect to the grid, the Company may be exposed to losses of the funds it paid or the guarantees it posted for the connection costs.

4.14.2.19 Cyber risks - The Company makes regular use of technology, information, communication and data processing systems. Any damage to these systems could 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 in the Company's possession. In addition, the Company has various databases (suppliers, customers, partners, payments, employees, etc.) that are used by the Company for its current activities. For the purpose of documenting the databases, the Company uses, among other things, various technological systems. The Company works with the help of various external consultants to protect its various systems against a cyber-attack and to preserve the ability to quickly recover in the event of an attack. At the same time, there can be no certainty regarding the Company's ability to prevent cyber-attacks. The occurrence of such an event may have a material impact on the Group's activities. In addition, the Group may be required to bear the costs for the protection of the information systems, as well as for the repair of damage caused by such vulnerabilities, as they occur.

4.14.2.20 Limitations on the price of selling electricity and determining the payment of excess tax for the sale of electricity - the Company's revenues and profits depend on electricity prices. The last few years are characterized by an increase in electricity prices (mainly in Europe), which has had a positive effect on the profits and returns of the projects. Imposing limits on electricity prices and/or excess tax on revenues from the sale of electricity above a certain amount harms the profitability of the projects, the Company's revenues and the returns of the various projects. In this context, it should be noted that in October 2022 the European Union approved temporary regulations (Council Regulation (EU) No. 2022/1854) for the treatment of energy prices, within which it was determined that the member states of the European Union will establish temporary regulations with the aim of reducing electricity consumption and reducing electricity prices. As part of the Council Regulation No. 2022/1854, among other things, a maximum price for electricity was proposed (EUR 180 per MWh) until the end of 2023, as well as targets for reducing the volume of consumption (a 5% decrease). In addition, it was proposed that the member states of the Union would use the surplus revenues from limiting electricity prices to support consumers affected by the increase in electricity prices and to reduce the volume of electricity consumption. Based on Council Regulation No. 2022/1854 provisions were established in several countries in the European Union regarding the limitation of electricity prices. For details, see Section 1.5.7 of the Board of Directors' Report for the third quarter of 2022, which was published on November 30, 2022 (reference no. 2022-01-115374), which is included in this Report by way of reference.

4.14.3 Unique risk factors

4.14.3.1 Early termination of lease agreements - Some of the systems owned or promoted by the Group are located on real estate owned by the Company's partner in the joint project corporation (owner of the system), or a third party, by virtue of lease agreements. Some lease agreements include conditions precedent and conditions subsequent clauses. In addition, the lease agreements can be canceled by any of the parties in cases of material breaches of the lease agreements and in some territories also in the event of the realization of a lien by the landowner. In the event of the termination of the agreement, the joint project corporation (owner of the system) is obliged to vacate the land according to the schedule detailed in each agreement.

4.14.3.2 Early termination of electricity sales agreements to end consumers - As mentioned above, part of the electricity produced by the Group Companies in Israel, Europe and the USA is sold to consumers (some of them are located near the system and some of them are sold virtually). There is a concern that in the event of the end customer entering insolvency proceedings, or the customer leaving the system area, the project company (the owner of the system that sells the electricity to the consumer) will not be able to collect the full debt towards it.

4.14.3.3 Termination of engagement with performance contractors and subcontractors - As mentioned above, the Group's activities in Europe and the US involve contracting with performance contractors to perform all construction and maintenance work (including through their subcontractors). There is a risk that in the event of early termination of engagements with the execution contractors, this will cause a delay in the establishment of the systems and/or the Group's profitability. Also, as mentioned above, within the field of construction and maintenance activities, the Company uses, among other things, subcontractors. There is a risk that in the event of early termination of contracts with any of the Group's subcontractors, this will cause a delay in setting up the systems and/or in the Group's profitability.

4.14.3.4 Activities together with partners - The Group's activities are based on cooperation agreements with third parties in Israel, Europe and the USA. Also, most of the photovoltaic systems are set up together with partners. There is a fear that disputes will arise between the Company and its partners in a way that will delay the establishment of the systems by them. In addition, there is a fear that one of the partners will run into difficulties, which will affect the activities of the Company and the partner.

4.14.3.5 Dependence on tax partners and compliance with the conditions required to receive tax benefits in the US - The establishment of the systems in the US is based on a set of tax incentives that allows the joint project company to bring in a tax partner - with significant tax liabilities - who invests in the joint project company at the time the project is connected to the electricity grid, in exchange for receiving most of the tax benefits for the project. The non-extension of the regulation, the cancellation of the tax benefits, as well as difficulty in locating tax partners may cause an increase in the equity that the project companies will be required to provide for the establishment of the various projects and even the cancellation of projects, due to damage to returns.

4.14.3.6 Changes in the tax policy - The operating costs of the various projects include various taxes, including municipal or designated taxes for the field of renewable energy. Changes in the tax policy in the countries where the Company operates may affect the profitability of the project.

Below are the Company's assessments regarding the degree of influence of the aforementioned risk factors on the group :

	Extent of Impact of the Risk Factor		
	Major effect	**Moderate effect**	**Minor effect**
Macro-economic risks			
Lack of funding sources and changes in interest rates	X		
Exposure to changes in the exchange rate	X		
Exposure to changes in the index (in Israel)	X		
State of the economy	X		
Input prices costs	X		
Global changes in the supply chain and shipping costs	X		
Security situation in Israel			X
Gas and oil prices			X
Corona crisis		X	

	Extent of Impact of the Risk Factor		
	Major effect	Moderate effect	Minor effect
Industry risks			
Failure to publish quotas and winnings in competitive procedures (in Israel)	X		
Changes in the regulatory environment	X		
Reliance on receipt of permits and approvals	X		
Electricity rates	X		
Weather conditions and climate change			X
Increase in inputs prices		X	
Delays in component delivery dates		X	
Cost of performance contractors and subcontractors			X
Exposure to the scope of electricity consumption			X
Dependence on the electricity company		X	
Violations by the system administrator or essential service provider			X
The integrity of the facilities, natural disasters and terrorism			X
Exposure to real estate issues			X
Failure to meet schedules			X
Competition			X
Limited manufacturer's warranty, wear and tear, and loss of productivity and equipment repair expenses			X
Safety		X	
Competition for the network resource	X		

	Extent of Impact of the Risk Factor		
	Major effect	Moderate effect	Minor effect
Cyber risks		X	
Limits on the price of selling electricity and determining the payment of excess tax for the sale of electricity	X		
Unique risks			
Early termination of the lease agreements			X
Early termination of electricity sales agreements for end consumers		X	
Termination of engagement with performance contractors and subcontractors			X
Activity together with partners		X	
Dependence on tax partners and compliance with the conditions required to receive tax benefits		X	
Changes to the tax policy		X	

The information regarding the above risk factors and their impact on the company is forward-looking information, as defined in the Securities Law. This information is based, among other things, on the Company's assessments based on past experience and knowledge of 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 in the future to additional risk factors and the impact of each

risk factor, if realized, may be different than the Company's estimations. As mentioned, forward-looking information is information based on information available in the Company at the time of the report. The actual results may be materially different from the results estimated or implied from this information.

Date: March 29, 2023	O.Y. Nofar Energy Ltd.

Via:

Ofer Yannay, Chairman of the Board of Directors

Nadav Tenne, CEO

Board of Directors Report of the State of the Corporation's Affairs For the period ending December 31, 2022

The board of directors of O.Y. Nofar Energy Ltd. (hereinafter: the "**Corporation**" or the "**Company**") is pleased to hereby present the Board of Directors' Report of the State of the Company's Affairs as of December 31, 2022 (hereinafter: the "**Date of the Statement of Financial Position**") and for the year ending on the Date of the Statement of Financial Position (hereinafter: the "**Report Period**"), pursuant to Article 10 of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. All of the data in this report relates to the Company and the companies held thereby (the Company, its subsidiaries, and associates); balance sheet data refers usually to the Company and consolidated companies (hereinafter, jointly and severally, as applicable: the "**Group**"), unless stated otherwise.

1. Explanations of the Board of Directors to the State of the Corporation's Business, Results of its Operations, Equity and Cash Flows

1.1 General

The Company was incorporated as a private company in April 2011. In December 2020, the Company and its controlling shareholder completed a public offering, a purchase offer, and listing for trade of its shares on the Tel Aviv Stock Exchange Ltd. As of the same date, the Company has been a public company (as defined in the Companies Law, 5769-1999).

1.2 Company's activity

The Company is an international company that is engaged, as of the Report Date, itself and through corporations held thereby, directly and indirectly, including in cooperation with third parties, in long-term development and investment activity of production systems of "clean" electricity from solar energy, systems for storing electricity in batteries in Israel, the USA and Europe, electric vehicle charging systems in Israel, as well as in the construction (EPC), operation and maintenance (O&M) of solar systems, storage systems and vehicle charging systems in Israel, mainly for corporations held by it, including in collaboration with third parties.

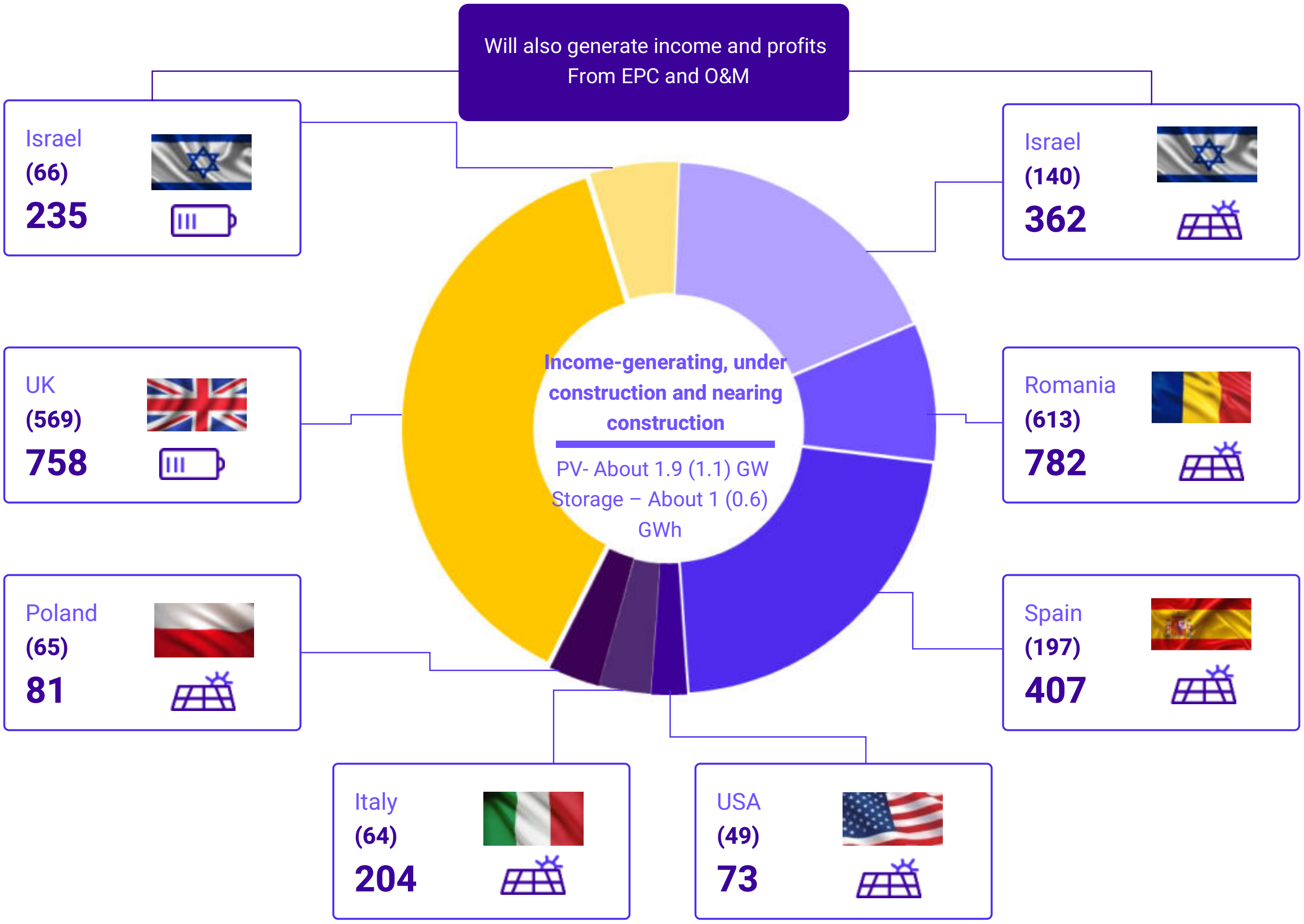
The Group's activities include the initiation and development of solar projects, wind systems and storage systems, starting from preliminary and initial stages, for the benefit of long-term holding, in Israel, Europe and the USA. These projects include large systems in Europe, which connect to the transmission or distribution grid at high or ultra-high voltage, with a supply of hundreds of megawatts, through solar systems and storage systems in Israel, Europe and the USA that connect to the high voltage or low voltage distribution grid, as the case may be.

For details about the Company's areas of activity as of the Report Date, see Sections 1.2.2, 1.3, 3.1, 3.2 and 3.3 of the chapter Description of the Corporation's Business - Part A of the Periodic Report for 2022, as well as Note 32 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 chapter Description of the Corporation's Business - Part A of the Periodic Report for 2022.

1.3 Key indicators in the Company's activity

A significant backlog of income-generating projects, under construction and nearing construction, as of the Report Date, characterized by high tariffs[1]
100% data, the Company's share in parenthesis



Expected aggregate revenues from the sale of electricity in the first year of income-generating projects under construction and nearing construction NIS 1,476 million[1] (NIS 881 million - the Company's share).

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[1] In relation to the rates established in the competitive proceedings for the land systems, combined storage photovoltaic systems, and dual-use facilities in Israel. The expected aggregate income from the sale of electricity is forward-looking information, as this term is defined in the Securities Law, which includes the Company's estimates regarding the income of the full first year of each of the projects listed in the table in Section 1.4 below (assuming that all projects were connected at the same time and that the assumptions detailed in Section 1.4 below are met). The data were presented for the purpose of illustration only of the revenues from the performance of the systems, as far as they are completed with the assumptions used by the Company, and they do not purport to present the forecast of the Company's performance in these years. It should be emphasized that failure to meet one of the assumptions detailed in Section 1.4 below may cause a change in the income from the sale of electricity in the first representative year in relation to the amounts detailed in the tables and presentation.

1.4 Main data regarding the systems in commercial operation, ready to connect, construction, in advance of construction, advanced development and development

The following tables briefly describe the data of the Group's companies' systems (based on 100%) in commercial operation, ready to connect, construction, nearing construction, advanced development, and development:

Systems in commercial operation

		Israel(1)			USA(5)	Italy(5)	Spain(5)		Total
		Net meter	Tariff	Competitive procedures			Olmedilla	Sabinar I	
Range of rates(2) (NIS/kWh, as of December 31, 2022)		0.29-0.47	0.27-2.2	0.16-0.28	0.57-1.1	0.48-1.58	0.053-0.908	0.053-0.908	---
Number of systems	Dec. 31, 2020	106	550	---	---	---	---	---	656
	Dec. 31, 2021	111	739	40	17	---	---	---	907
	Dec. 31, 2022	128	964	65	20	25	1	1	1,204
Total installed capacity (KWp) (100%)	Dec. 31, 2020	50,854	43,821	---	---	---	---	---	94,675
	Dec. 31, 2021	54,095	76,730	32,633	11,157	---	---	---	174,615
	Dec. 31, 2022	55,773	120,247	77,733	14,600	19,400	169,000	155,000	611,753
Total construction costs (in NIS thousands)	Dec. 31, 2020	222,218	301,315	---	---	---	---	---	523,533
	Dec. 31, 2021	252,475	419,966	97,899	115,156	---	---	---	885,496
	Dec. 31, 2022	267,879	574,593	256,280	164,804	65,805	485,263	517,163	2,331,789
Total senior debt balance (NIS thousands)	Dec. 31, 2020	123,841	106,713	---	---	---	---	---	230,554
	Dec. 31, 2021	222,340	369,839	86,214	42,470	---	---	---	720,863
	Dec. 31, 2022	192,393	412,678	184,063	76,833	50,145	208,861	0	1,124,973
Remaining senior debt period, in years (weighted average)	Dec. 31, 2022	17.0			4.4	10	17.4	---	---
Income (NIS thousands)	2020	26,025	22,427	---	---	---	---	---	48,452
	2021	32,831	63,350	2,878	5,445	---	---	---	104,504
	2022	32,488	101,297	18,473	9,944	5,766	30,721	16,859	215,548
Income from Tax Equity	2021	---	---	---	435	---	---	---	435
	2022	---	---	---	7,629	---	---	---	7,629
Total income (NIS thousands)	2020	26,025	22,427	---	---	---	---	---	48,452
	2021	32,831	63,350	2,878	5,880	---	---	---	104,940
	2022	32,488	101,297	18,473	17,574	5,766	30,721	16,859	223,178
Total project EBITDA (3) (NIS thousands)	2020	18,930	16,311	---	---	---	---	---	35,241
	2021	21,442	46,964	1,790	4,005	---	---	---	74,201
	2022	24,416	66,747	12,108	12,587	4,665	28,693	15,356	164,572
Total project FFO(3) (NIS thousands)	2020	13,237	11,406	---	---	---	---	---	24,643
	2021	12,668	35,340	967	1,349	---	---	---	50,324
	2022	18,429	50,492	8,721	8,797	3,749	22,866	15,356	128,410
Total free cash flow after senior debt service (NIS thousands)	2020	3,539	3,050	---	---	---	---	---	6,589
	2021	4,923	13,733	376	(1,876)	---	---	---	17,156
	2022	14,286	28,213	6,666	4,511	3,749	15,353	15,356	88,134
Rate of the Company's holdings(4), indirectly (weighted average)	Dec. 31, 2020	42%	29%	---	---	---	---	---	36%
	Dec. 31, 2021	42%	33%	41%	67%	20%	38%	36%	37%
	Dec. 31, 2022	39%	35%	39%	67%	28.6%	50%	47%	46%

[1] In project corporations including systems with different regulations, the data was split according to the ratio of system capacities.

[2] The range of rates in systems connected under net meter regulation arises mainly from the fact that during the Report Period, the rates in these projects were based on the time of use tariff rates, which change depending on the months of the year and hours of consumption. The rest of the accounting period for these systems ranges between 17 and 23 years (about 21 years according to a weighted average). The range of rates in the systems operating under tariff regulations stems from the fact that over the years the guaranteed rates for new systems established under these regulations have been reduced. The rest of the guaranteed rate period for systems ranges from 9 to 25 years (about 22 years at a guaranteed rate of about NIS 0.61/kWh, according to a weighted average, considering the systems' capacities after degradation).

[3] As detailed above, most of the project corporations in Israel have several systems operating under several regulations. Accordingly, the classification of revenues, senior debt balance, EBITDA, FFO and free cash flow after debt service between the different types of regulations is calculated according to the system providers and the assessment of the total hours of activity in a calendar year (between 1,700 and 1,750 hours).

The EBITDA and FFO measures were calculated on the basis of the data of the financial statements of the various project corporations (without considering the proportion of the Company's holdings), in an arithmetic-aggregate manner, as detailed below. It should be emphasized that **these financial indicators are not based on generally accepted accounting principles**. Most are held by corporations that are common to the Group companies and third parties (in Israel as a whole, the owners of the rights in the land, and abroad, the local partner). As detailed in Note 2 to the Company's financial statements, the outlines of the engagement customary in the Group in relation to systems that are not under the Company's control are accounted for using the equity method. According to this method, the results of the investee corporations are not reflected in detail in the Company's financial statements (revenues, expenses, etc.), but through a single “net” amount, which does not allow the reader of the reports to calculate the aforementioned measures from the financial statements. Therefore, in the Company's estimation, there is importance in presenting the total revenues and financial indicators as mentioned, in a way that will allow the readers of the reports to get an impression and analyze the results of the various systems.

The EBITDA measure is an accepted measure in renewable energy projects, which represents the operational efficiency of the systems and is used by the decision-makers in the Company. As mentioned above, the measure is calculated on the basis of data from the project corporations, as gross profit (income from electricity production minus operation and maintenance costs), neutralizing the depreciation of the systems.

The FFO measure is calculated based on the EBITDA measure, taking into account financing expenses for senior debt loans. This measure is an accepted measure in renewable energy projects, reflecting the ability to service the senior debt principal from the revenues generated by the systems.

Adjustments to the application of the equity method include the elimination of the Company's share in each of the measures (revenues, EBITDA, FFO and free cash flow) of the associates, which are presented in the financial statements according to the equity method.

Below are the calculations of the measures of the systems (according to 100% data), in accordance with the above (in thousands of NIS):

	2022	2021	2020
Gross profit	106,475	40,281	19,520
System depreciation	58,097	33,920	15,721
EBITDA	164,572	74,201	35,241
Senior debt financing expenses	36,162	23,877	10,598
FFO	128,410	50,324	24,643

Below are adjustments between the aggregate project data and the Statement of Profit or Loss and Comprehensive Income in the Company's financial statement (in NIS thousands):

For the year ended December 31, 2022:

	Aggregate data	Adjustments for share in investee companies not held by the Company	Data of consolidated companies and the Company's share in associates (Sectors note)
Income	223,177	(130,630)	92,547
EBITDA	164,572	(98,603)	65,969
FFO	128,410	(76,606)	(*) 51,804
Free cash flow	88,132	(52,322)	(*) 35,810
Equity profits (losses)	---	---	9,371

For the year ending December 31, 2021:

	Aggregate data	Adjustments for Sky Blue results before its acquisition by the Company	Adjustments for share in investee companies not held by the Company	Data of consolidated companies and the Company's share in associates (Sectors note)
Income	104,940	(3,619)	(63,572)	37,749
EBITDA	74,201	(3,501)	(44,780)	25,920
FFO	50,324	(1,824)	(32,079)	16,421 (*)
Free cash flow	17,156	(230)	(11,523)	5,403 (*)
Equity profits (losses)	---	---	---	(211)

For the year ended December 31, 2020:

	Aggregate data	Adjustments for share in investee companies not held by the Company	Data of consolidated companies and the Company's share in associates (Sectors note)
Income	48,452	(28,591)	19,861
EBITDA	35,241	(21,261)	13,980
FFO	24,643	(14,919)	9,724 (*)
Free cash flow	6,589	(3,897)	(*) 2,691
Equity losses	---	---	952

* The Sectors note includes data regarding income and EBITDA. For details on the method of calculation of the FFO and the free cash flow, see the table detailing the calculation of the measures on page 4 above. It should be noted that the FFO and free cash flow data included in the Board of Directors' Report for 2021 included only the results of the project under the control of the Company, without the Company's share in the results of projects held by associates (as calculated in the Segments note).

(4) The share of the Company's holdings is calculated as a weighted average, indirectly, in relation to the system providers. The vast majority of the project corporations operate by virtue of use permits and projects on reservoirs by virtue of direct lease agreements with the Israel Land Authority.

(5) The data regarding the systems in the USA are based on Blue Sky's financial statements and exchange rates at the time of the report NIS 3.519 per dollar and an average exchange rate for the Report Period of NIS 3.357 per dollar), as applicable. The data regarding the systems in Italy and Spain are based on financial data of Sunprime and Andromeda and exchange rates at the time of the report NIS 3.753 to the euro and an average exchange rate for the Report Period of NIS 3.536 to the euro), as applicable.

It should be noted that during the Report Period, the Olmedilla project company sold part of the electricity it produced on the open market, at a price higher than the price set in the PPA. It should also be noted that during the Report Period, Sunprime sold the electricity produced on the open market, at a rate that is significantly higher than the rate set in the tender process of the Italian Electricity Authority; the range of rates includes the rate set in the aforementioned tender process (the minimum rate) for the systems in commercial operation and the rates at which electricity is actually set.

As for the US results, it should be noted that there is a tax partner in the companies that own projects in Blue Sky. The agreements with the tax partners set forth arrangements regarding the distribution of profits from the project between the portfolio company that owns the project and the tax partner, for specified periods as detailed in the agreement therewith. The EBITDA and free cash flow are shown net after the payment of the partner's share. It should also be noted that the sale of electricity by Blue Sky is carried out by virtue of electricity sale agreements between the project corporations and the end customers. At the time of the Report, part of the electricity produced in the system is not sold but is fed into the grid at a significantly lower rate. Accordingly, Blue Sky works to engage with the end customers in relation to all the power produced in the facility, in order to ensure payment for all the electricity 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's electricity.

As of the date of the Report, the Group owns two storage systems with a total capacity of 5.7 megawatts (the Company's share is 39%), which were connected during the year 2021 and are in trial run procedures. Accordingly, the Report does not include data regarding these systems.

Systems connected after the report date and systems ready to connect[1] (financial data in NIS millions)

Country	Israel			Italy	Romania[12]	Total
Segment/ project name	Tariff	Tender	Storage	Sunprime	Ratesti	
Projected power (MWp)	41.6	17.6	---	27.3	154.7	241.1
Storage capacity (MWh)	---	---	15.3	---	---	15.3
Weighted rate (NIS)	0.45	0.26	---	0.34	0.48	---
Projected annual production hours (KWh/KWp)	1750	1750	---	1182	1370	---
Expected revenues for the first full year of operation [5] [6]	32.7	7.9	1.5 - 2.4	11.1	101.3	154.6 - 155.5
Total estimated construction costs [3] [11]	120.2	57.8	22.6	89.7	383.4	673.6
Projected operating cost for the first year of operation [6] [7]	7.8	2.4	0.1	1.6	14.1	26.0
Projected EBITDA for the first year of operation [6] [7]	25.0	5.6	1.4 - 2.3	9.4	87.1	128.6 - 129.5
Predicted leverage rate (senior debt) [11]	85%	85%	80%	71%	60%	---
Projected loan period (years) [4]	20-24	20-24	15	10	**10**	---
Projected FFO for the first year of operation [6] [7]	18.1	1.4	0.2 - 1.1	5.8	71.6	97.1 - 98.0
Rate of holdings [10]	45%	43%	24%	31%	50%	---

Systems under construction or nearing construction as of the Report Date [1] (financial data in NIS millions)

	Israel			Romania				Italy	USA	Spain	Poland			UK		Total
Segment/ project name	**Tariff**	**Tender**	**Storage**	Iepuresti	Corbii Mari	Ghimpati	**Slobozia**	Sunprime	Blue Sky	Sabinar 2	Cybinka	Krzywinskie	Dziewoklucz	Cellarhead	Buxton	
Projected power (MWp)	22.1	27.4	---	169.0	256.0	130.0	72.0	157.6	58.4	83.0	40.0	20.0	20.7	---	---	1056.2
Projected storage capacity (MWh)	---	---	213.5	---	---	---	---	---	---	---	---	---	---	698.0	60.0	971.5
Weighted rate (NIS)	0.45	0.25	---	0.42	0.32	0.32	0.32	0.36	0.62	0.54	0.48	0.52	0.52	---	---	---
Projected annual production hours (KWh/KWp)	1,750	1,750	---	1,400	1,300	1,323	1,500	1,271	1,478	2,034	1,046	1,059	1,128	---	---	---
Expected revenues for the first full year of operation [5] [6]	17.4	11.8	21.4 - 34.2	99.1	105.4	54.5	34.2	71.2	53.8	91.5	19.9	11.0	12.1	272.5	28.7	904.3 - 917.2
Total estimated construction costs [3] [11]	63.1	83.8	315.0	477.0	609.1	338.5	230.1	542.6	544.6	323.4	87.7	69.2	65.0	924.3	115.0	4,788.2
Rate of equity invested as of December 31, 2022 [12]	50%	50%	35%	14%	5%	1%	0%	100%	5%	100%	5%	90%	43%	0%	4%	---
Projected operating cost for the first year of operation [6] [7]	4.2	3.4	1.8	9.2	11.7	5.6	3.4	9.5	14.4	3.8	2.3	1.1	1.2	28.0	3.2	102.7
Projected EBITDA for the first year of operation [6] [7]	13.2	8.4	19.5 - 32.3	89.9	93.7	48.8	30.8	61.8	39.4	87.7	17.6	9.8	10.9	244.5	25.4	801.6 - 814.4
Predicted leverage rate (senior debt) [11]	85%	85%	80%	65%	65%	65%	65%	71%	40%	59%	65%	65%	65%	60%	60%	---
Projected loan period (years) [4]	20-24	20-24	15.0	15.0	15.0	15.0	15.0	10.0	18.0	22.5	17.0	17.0	17.0	10.0	7.0	---
Projected FFO for the first year of operation [6] [7]	9.6	3.6	2.5 - 15.3	70.6	69.0	35.1	21.5	39.8	25.2	78.8	13.1	6.2	7.5	209.9	21.1	613.5 - 626.3
Rate of the Tax Equity in the investment	---	---	---	---	---	---	---	---	40%	---	---	---	---	---	---	---
Projected construction completion date [2]	2023	2023	2023-2024	2024-2025	2025	2025	2025	2023 - 2024	2023 - 2024	H1 2023	H1 2024	H2 2023	H2 2023	2024 - 2025	Q4 2023	---
Rate of holdings [10]	42%	40%	28%	86%	86%	86%	86%	31%	67%	47%	90%	72%	72%	75%	75%	---

Licensed systems as of the date of the report [1] (financial data in NIS millions)

Country	Israel				USA	Italy	Poland						England	Total
Segment/ project name	Tariff	Tender	Default	Storage	Blue Sky	Sunprime	Jozefin	Swierczewo	Thumos (Small Projects)	Bakalarzewo	Bartodzieje	Kemienice	Toton	
Projected power (MWp)	46.3	112.9	7.9	---	48.2	270.5	50.0	68.7	19.5	150.0	60.0	60.0	---	894.1
Projected storage capacity (MWh)	---	---	---	602.9	---	---	---	---	---	---	---	---	260.0	862.9
Weighted rate (NIS)	0.45	0.21	0.28	---	0.62	0.34	0.43	0.43	0.43	0.43	0.43	0.43	---	---
Projected annual production hours (KWh/KWp)	1,750	1,750	1,750	---	1,607	1,250	1,026	1,026	1,026	1,046	1,138	1,140	---	---
Expected revenues for the first full year of operation [5] [6]	36.5	42	3.9	60.3 - 96.5	47.9	114.2	22.3	30.6	8.7	68.1	29.6	29.7	91.2	585.0 - 621.2
Total estimated construction costs [3] [11]	142.2	312.9	26.2	889.3	449.5	864.3	112.5	141.6	45.3	357.1	153.2	148.2	486.9	4,129.2
Projected operating cost for the first year of operation [6] [7]	7.7	13.0	1.0	5.1	11.9	16.2	2.4	3.4	1.1	7.3	3.0	3.0	11.2	86.4
Projected EBITDA for the first year of operation [6] [7]	28.8	29.0	2.9	55.2 - 91.3	36.0	98.0	19.8	27.2	7.6	60.8	26.6	26.7	80.0	498.6 - 534.8
Predicted leverage rate (senior debt) [12]	85%	85%	85%	80%	40%	71%	65%	65%	65%	65%	65%	65%	60%	---
Projected loan period (years) [4]	20 - 24	20 - 24	20 - 24	15	18	10	17	17	17	17	17	17	10	---
Projected FFO for the first year of operation [6][8][9]	20.6	11.1	1.4	7.1 - 43.3	24.3	63.0	14.0	19.9	5.2	42.2	18.7	19.0	61.8	308.2 - 344.4
Rate of the Tax Equity in the investment	---	---	---	---	40%	---	---	---	---	---	---	---	---	---
Projected construction completion date [2]	2024 - 2025	2024 - 2025	2024 - 2025	2024 - 2025	2024 - 2025	2024 - 2025	2024 - 2025	2024 - 2025	2024 - 2025	2024 - 2025	2024 - 2025	2024 - 2025	2024 - 2025	---
Rate of holdings [10]	31%	45%	39%	34%	67%	31%	90%	90%	90%	65%	72%	72%	75%	---

Systems under development as of the Report Date [1]

Country	Israel			USA	Poland	UK	Greece	Spain			Total
Power (MW)	Ground	Roofs	Reservoirs	Blue sky	Electrum	Noventum	Storage	Wind	Solar	Storage	
Power (MW)	320.3	161.8	156.8	236.9	100.0	543.0	---	100.0	35.0	---	1,653.8
Projected storage capacity (MWh)	---	---	---	165.0	1400.0	---	400.0	---	---	280.0	2,245.0
Rate of holdings [10]	26%	30%	50%	67%	72%	80%	100%	47%	47%	48%	---

The balance of expenses in advance for projects in development amounted, as of December 31, 2022, to a total amount of approximately NIS 29,159 thousand.

[1] For details regarding the conditions for recognizing projects ready to connect, construction and nearing construction, advanced development, and development, see Section 1.1 of the Description of the Corporation's Business Chapter.

The data in relation to projects in Poland, Romania, and Italy, are based on an exchange rate of NIS 3.753 to the euro; the data in relation to projects in the United States are based on an exchange rate of NIS 3.519 to the dollar; the data in relation to the UK are based on an exchange rate of NIS 4.238 to the pound.

Regarding the projects in development, advanced development, construction and nearing construction, the data on the table is based on the assumption that all of the approvals required for construction, connection of the system, to the electric grid, and commercial operation have been received, including approval regarding the availability on the grid (approval of connection to the grid), the completion of the planning processes required for the construction of the systems, receipt of construction permits, arrival of the projects to "ready to build" by the long stop date set forth in their purchase agreements, compliance with the connection tests of the electrical authority, and so on. As of the Report Date, the Company is unable to assess the likelihood of completing the proceedings as stated for all of the projects.

Regarding the supplies of the systems and the projected construction completion dates - the estimates contained on the tables above are based on the Company's assessments, based on confirmations received as of the Report Date and/or the area of the land on which the system is intended to be built, the deadline for the completion of the acquisition of the projects set in the purchase agreements, information provided to the Company from the local partner, information provided to the Company within the due diligence procedures carried out by the Company in relation to the various projects, or on the basis of the Company's assessments. In light of the initial stages of the development of the projects, as well as the regulatory approvals required for their construction, as of the Report Date, there is no certainty of the realization of the projects, their execution and their realization in the quantities and on the dates set forth on the table.

Additionally, regarding the projects in Poland, Romania, the UK, and Greece, the data on the table is based on the assumption that the projects will be ready to build under the conditions as set forth in the agreements for their purchase, and that the Company will complete the transactions for the purchase of the rights in them. In this context, it is noted that the deadline for the completion of the acquisition of the Thumos projects in Poland is October 2023. In light of the delays in the development of the projects, it is plausible that the acquisition of the aforesaid projects will not be completed.

(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 operation dates of the Sabinar II, Buxton, Dziewoklucz and Bartodzieje projects are based on the dates stipulated in the construction agreements of the projects and the Company's estimates regarding construction delays. The projected operation dates of the projects in Poland, Romania, and the UK are based on the dates specified in the connection approvals or assessments of the local partner, the project developer (from which the rights in the project were purchased) or external consultants, as the case may be, regarding the connection date. The projected operating dates of Sunprime projects are based on Sunprime's management's assessment of the rate of progress in the construction of the projects. The projected operating dates of Blue Sky projects are based on the Company's assessment of the pace of development and construction of the projects.

(3) Regarding systems for which the conditions for the purchase of the parts of the systems have not yet been agreed upon and/or the terms of the loans that will finance the construction of the systems have not yet been agreed upon, estimates were calculated based on the costs and financing conditions of the projects under construction for which these terms were agreed upon, taking into account changes that occurred in the costs of construction, transportation, and financing during the past year. The construction costs in relation to the Sabinar project are based on the costs of purchasing the rights in the project, the development costs, the construction costs stipulated in the EPC agreements and payment to the local developers. The construction costs in relation to the Ratesti project are based on the costs of purchasing the rights in the project, management and consulting fee payments and the amounts stipulated in the construction agreement. Construction costs with respect to Sunprime projects are based on Sunprime management's estimates of construction costs per megawatt installed. The construction costs in relation to the projects in Poland are based on the costs of acquiring the rights in the projects, the development costs detailed in the various development agreements, the development costs of the projects by Electrum, construction proposals received from Electrum and the Company's and external consultants' estimates of the construction costs, based on the construction costs of other projects. The construction costs of the projects in Romania are based on the cost of purchasing the project rights and the Company's estimates regarding the construction costs of the projects. It should be emphasized that as of the Report Date, the Company had not yet received a proposal for the construction of the projects. The construction costs in relation to Blue Sky projects are based on the construction costs per kilowatt of the systems under construction. The construction costs in relation to the Buxton project are based on the construction, procurement and maintenance

agreements that have been signed or are in the final negotiation stages. The construction costs of the Cellarhead project are based on initial proposals received from EPC contractors. The construction costs of the Toton project are based on the estimates of the Company's management, given the proposals received in relation to the Buxton and Toton projects.

(4) Regarding systems in Israel whose financing terms have not yet been agreed upon, the leverage rate and margin are based on the leverage rate and margins of the projects under construction. Regarding the Sabinar project, the leverage rate and financing conditions are based on the terms of the financing agreement signed in relation to the financing of the Sabinar project. It should be emphasized that as of the Report Date, the conditions for making the first withdrawal had not yet been met and there is no certainty regarding the fulfillment of the conditions. Regarding the Ratesti project, the leverage rate and financing terms are based on the terms of a non-binding memorandum of principles for receiving financing for the project. It should be emphasized that as of the Report Date, the project company is in negotiations on the matter, but has not yet reached an agreement regarding the receipt of financing and there is no certainty regarding its receipt. Regarding Sunprime's projects, the leverage rate is based on the terms of the financing agreement signed by Sunprime. Regarding the projects in Poland, an indicative financing rate of approximately 65% at an interest rate of 7%-9% was assumed. Regarding the projects in Romania, an indicative financing rate of about 65%, with interest of 6%-7% was assumed. Regarding the Blue Sky projects, it was assumed that the leverage rate would be 40%. It is noted that as of the Report Date, the projects under construction are financed by way of a loan provided by the Company to Blue Sky (and not through project loans). It is further noted that in addition to the senior debt used for the construction of the projects, Blue Sky usually enters into agreements with tax equity partners, which invest in the project companies in return for receipt of federal tax benefits and accelerated depreciation. In this regard, it was assumed that the tax equity partners will invest an amount equal to 40% of the cost of the project, in accordance with the rates invested in relation to projects in commercial operation. In relation to the Cellarhead, Buxton, and Toton projects, financing was assumed in accordance with the terms of the memorandum of principles signed with a bank corporation in relation to the receipt of project financing for the Buxton project. It is emphasized that as of the Report Date, a binding agreement has not yet been signed and there is no certainty regarding the engagement in a binding agreement or its terms. In addition, there is no certainty that the terms of the financing agreement of the Celarhead and Toton project will be under conditions similar to those in the Buxton financing agreement. As to the Toton project, it is noted that the Company has not yet completed its purchase (which is expected to arrive at the time of its arrival to RTB).

(5) The rates and revenues on the table of the solar systems in Israel include, *inter alia*, the Company's estimates in relation to the actual system supply and the scope of real-time consumption from the systems. The revenues on the table of the storage systems in Israel are based on an annual income assumption of between NIS 100 and NIS 160 per kWh in accordance with the tariff rates and Decision No. 63704 of the Electricity Authority - Market Model for Production and Storage Facilities Connected or Integrated into the Distribution Grid, preventing the curtailment of the electricity produced in solar systems in the historical section and loans initiated by the initiated loans tariff.

The rates in relation to the tariff systems and systems based on competitive procedures are based on the rates established in these regulations, plus linkage to the index until the Report Date, and regarding regulations that allow for self-consumption - the Company's estimates regarding the consumption scope and regime of the customers and electricity tariffs as of the Report Date (less an assumption, if relevant) and the system costs arising from these arrangements. The revenues on the table in relation to the systems in Israel are based on a working assumption of 1,700-1,750 hours of sunlight per year on average, depending on the location of the project.

The revenues in the table in relation to the Sabinar project are based on the tariff stipulated in the PPA agreement signed in relation to the Sabinar project (for details see the immediate report published by the Company on August 8, 2022 (reference number 2022-2022-01-099826), while the information contained therein is included in this Report by way of reference), forecast of electricity tariffs for sale in the open market in the first year of operation of the Sabinar II project (in addition to linkage to the index according to the estimates of a consulting company), an assessment that the provisions of the Royal Decree[2] in connection with excess taxation of electricity prices in Europe will end on December 31, 2023, the Company's estimates in relation to the actual supply of the systems, and a working assumption of approximately 2,034 hours of sunlight per year at Sabinar. The revenues in the table in relation to the projects in Romania are based on a forecast of electricity tariffs in the open market sale in the first year of operation of each project received from an international consulting firm and an assumption of working hours of sunlight as detailed in the table above. It should be noted that in November 2022, a temporary directive (Emergency Ordinance) ("GEO") was approved, limiting electricity prices for certain electricity producers to 450 RON per MWh until March 25, 2025. Since, to the best of the Company's knowledge as of the Report Date, the directive does not apply to electricity producers from renewable energy, the revenues in the table were calculated on the assumption that the GEO restrictions do not apply in relation to the revenues of the projects in Romania. It should be noted that according to the estimates received from the external consulting company, a decrease in electricity rates in Romania is expected during the lifetime of the projects. It should further be noted that to the extent that the project company enters into a PPA agreement, the actual revenues will be lower than the revenues in the open market. The revenues of the projects in Poland are based on a forecast of electricity rates sold in the open market in the first year of operation of each project, as detailed above, received from an international consulting firm and a working assumption of between 1,026 and 1,142 hours of sunlight per year, depending on the location of the project. It should be noted that in the months of October and November 2023, a law was approved regarding the limitation of electricity prices and customer support in 2023. The law established, among other things, that electricity producers are required to transfer income above a certain amount they receive for the sale of electricity to a special fund. As of the date of the Report, the determined amount is PLN 355 per MWh from solar and PLN 295 per MWh from wind. This limit does not apply in relation to

2 Royal Decree-Law 17/2021, 23/2021, 6/2022, 10/2022 ("Royal Decree"). It should be noted that the Royal Decree are temporary regulations in connection with excess taxation of electricity prices in Europe. For details regarding the impact of the Royal Decree for the year 2023, see an immediate report dated August 21, 2022 (reference number 2022-01-099826), while the information presented therein is included in this Report by way of reference.

projects that sell electricity by virtue of tender procedures (in which the limit is the amount determined in the tender procedure), projects that include financial hedging agreements (in which, to the best of the Company's knowledge, the limit is the average financial obligation under the agreement) and projects with a capacity of up to 1 megawatt, and so on. Since the Company estimates that the first project will be connected in Poland in December 2023, the revenues in the table assume that the limitation will not apply in relation to the revenues of the projects in Poland. Insofar as the term of the regulation is extended, the revenues of the projects in Poland will be lower by about 50%-80%, on average, and there will also be a decrease in EBITDA and FFO accordingly. It should be noted that according to the estimates received from the external consulting company, a decrease in electricity rates in Poland is expected during the lifetime of the projects. It should also be noted that in the Company's estimation, in order to receive project financing, the project companies will be required to enter into PPA agreements. In such a case, the revenues of the projects will be lower than the revenues detailed in the tables above (based on the sale of electricity on the open market). The revenues in the table in relation to Sunprime's project are based on the rates won by Sunprime in the tenders (ranging from EUR 83.6 to 102 per kWh, and which are on average about EUR 94.2 per 1 megawatt hour) and an assumption of work of about 1,194 average hours of sunshine per year. The revenues in the table in relation to the Blue Sky project are based on the average forecast of electricity prices and an analysis of the prices of green certificates provided to the Company by an external and independent service provider, minus discounts for tenants in the electricity rates and the collection of the full amount of electricity produced in the systems, estimates regarding the amount of sunshine hours per year (between 1,485 for 1,750 hours, depending on the geographic location of the system), and estimates that all the electricity produced in the systems will be sold to consumers. It should be noted that during the Report Period, the average rate paid to Blue Sky was about 21 cents per kWh for electricity sold to consumers (and about 12 cents per kWh produced, since Blue Sky did not allocate all the electricity produced in the systems, did not collect payments for any electricity produced in its systems, and that electricity not associated with a specific customer was fed into the grid against payment of a negligible amount). The revenues in the table in relation to the Cellarhead, Buxton and Toton projects are based on a forecast of electricity prices and system services provided to the Company by an external consulting firm (in addition to linkage to the index according to a consulting firm's estimates).

(6) The "first year of operation" means 12 consecutive months during which, for the first time, the system will not be limited in supplying electricity to the grid in real time, and will bear senior debt payments. Usually, the repayment of the senior debt payments starts several months after the date of commercial operation.

(7) The EBITDA measure is calculated as the gross profit plus depreciation and amortization and taking into account the estimates regarding the ongoing maintenance costs of the system. Regarding projects in Israel - considering the maintenance costs stipulated in the agreements signed with the Company. Regarding the Sabinar project, based on the agreed consideration for the operation services according to the operation agreement (O&M) with the construction contractor. Regarding the Ratesti project - taking into account the estimates regarding the ongoing maintenance costs of the system according to the operation agreement (O&M) and the payment

of management fees to Econergy. Regarding Sunprime - based on the estimates of the Sunprime management regarding the operating expenses of the projects and the maintenance costs offered to the financiers. Regarding the projects in Poland, operating expenses were assumed in accordance with the operating agreements (O&M) signed with Electrum in relation to two projects and the Company's assessment. Regarding the projects in Romania, operating expenses were assumed according to the Company's estimates. Regarding Blue Sky - it was assumed that the operating expenses will be in accordance with the average operating expenses per kilowatt in 2022 of the systems in commercial operation. Additionally, the depreciation of the systems was calculated assuming a 5-year spread. It is noted that the agreements with the tax partners set forth arrangements regarding the distribution of profits from the project between the portfolio company that owns the project and the tax partner, for specified periods as detailed in the agreement therewith. The EBITDA and FFO are presented net after the payment of the partner's share. Regarding the Buxton project, operating costs were assumed in the maintenance and service agreements that were signed or are in advanced stages of negotiations. Regarding the Cellarhead project, operating costs were assumed in accordance with the price offers received from the construction contractors and the Company's estimates and an external consultant regarding associated costs. For the Toton project, operating costs were assumed in line with the proposals received in relation to Cellarhead and Buxton.

(8) The FFO is calculated as EBITDA less financing expenses (interest payments) for senior debt loans, based on the assumptions detailed in Note (5) above, and for the Ratesti project less corporate tax. It should be emphasized that as of the Report Date, financing had not yet been obtained for the Ratesti, Blue Sky, Cellarhead, Buxton, Toton projects and the projects in Romania and Poland and there is no certainty regarding the receipt of said financing, including any certainty that their cost will be in accordance with the Company's estimates as detailed in Note (4) above.

(9) As detailed in Section 3.1 in the Description of the Corporation's Business chapter, the Company usually enters into agreements with most of its partners according to which the Company provides the equity (or most of the equity) required for the development and construction of the project in a loan, which is repaid on a cash sweep basis.

(10) The share of the Company's holdings is calculated as a weighted average, indirectly, in relation to the system providers. The rate of holdings in Sunprime was calculated assuming full exercise of the options granted to Andromeda (that is, assuming a 60% holding).

It should be noted that all holdings in the project corporation of Olmedilla, Sabinar and Sunprime are pledged, as of the Report Date, in favor of the banks financing these projects. In addition, the holding rates in Sunprime were calculated on the basis of the assumption that all the convertible loans that the Noy-Nofar Europe partnership made to the Company were converted into shares.

(11) The construction costs include, among other things, a discount regarding the forfeiture of construction guarantees of projects by virtue of competitive procedures for roof installations and reservoirs, which will be connected to the grid after the binding date, with the aim of maintaining the rates the Company won.

(12) The invested equity rate was calculated assuming the receipt of financing at the rate as detailed in the above table. It should be noted that as of the Report Date, the Sabinar, Retati, Buxton, Dziewoklucz and Bartodzieje projects - whose construction has begun - are funded from equity. At the time of receiving the financing for these projects, the Company intends to withdraw part of the equity invested in the projects.

The estimates detailed in the tables above regarding tariffs, tariff period, supplies, commercial operation dates, construction costs, leverage rates, revenues, EBITDA, FFO, projected free cash flow, holding rates, projected first year of operation and first year of operation results are forward-looking information, as this term is defined in the Securities Law, the realization of which is uncertain and not under the exclusive control of the Company. The aforementioned estimates are based on the Company's plans in relation to the entire system and the characteristics of the systems, which may not materialize due to factors beyond the Company's control, such as: the lack of full certainty regarding rights in the project company, delays in obtaining the permits required for the construction and operation of the systems, delays in obtaining access to the electricity grid, changes in the construction costs of the system, delays in obtaining the permits required to start construction of the project, receiving limited negative or positive answers from the Grid Connection department, receiving connection approval for a date far from the Company's estimates, delays in the development of the electricity grid, delays in construction, delays or difficulties in entering into development agreements with the Israel Lands Authority, delays in the supply of parts for the systems, changes in construction costs, including for unforeseeable expenses, increase in the prices of raw materials, increase in transportation prices, changes in exchange rates, delays in obtaining the permits required to start construction of the project, delays in the development of the electricity grid, delays in construction, changes in the regulatory tariffs, changes in the legal provisions and/or regulations, imposing taxes for electricity revenues or extending the validity of the provisions of the Royal Decree, GEO and the law in Poland, changes in policy and/or financing costs, changes in interest rates, deficiencies in the system, changes in the weather, changes in electricity rates or systemic costs, changes in the volume of electricity consumption by system consumers, changes in demand for electricity, changes in tax rates, changes in tax laws, changes in the economy in general and the electricity sector in particular, regulatory changes, deficiencies in systems, the continuation of the Corona crisis and the restrictions imposed (and that will be imposed) as a result and the existence of one (or more) of the risk factors listed in Section 4.14 in the Description of the Corporation's Business chapter.

It should be emphasized that at the time of the Report, there is no certainty regarding the implementation of the projects that are under construction, in preparation for construction, advanced development and development, among other things, due to the fact that these projects are subject to receiving various approvals (including land zoning changes, building permits, a positive response from the Grid Connection, available quotas, meeting the tests of the Electricity Authority, connection approval, etc.), as detailed in Sections 3.1.1.1, 3.3.1.2, 3.3.1.5, 4.9 and 4.14 in the chapter of the Description of the Corporation's Business, while there is no certainty that they will be obtained, as well as due to a concern of the realization of one of the risk factors listed

in Section 4.14 in the chapter Description of the Corporation's Business. To the extent that the Company fails to implement the systems listed above (or any of them), its main exposure will be the loss of the amounts invested (and that will be invested) up to that same date, as well as in the systems constructed by virtue of winning a competitive procedure and systems abroad for which advances have been paid and/or guarantees have been deposited with the system administrator, the loss of the deposit money, the forfeiture of the connection and installation guarantees and the loss of the electricity quota (in case of non-compliance with the schedules until the maximum binding date).

1.5 Overview of the Company's development

The last year was characterized by continued development in the Company's activity, which was reflected in several aspects as follows:

1.5.1 Leading the field of consumer solar in Israel - roofs and reservoirs

1.5.1.1 Solar portfolio in Israel - in 2022 and until the publication date of the report, the Company has completed the construction or connection of approximately 69 megawatts on rooftops and reservoirs in Israel.

The systems connected in the aforementioned period sell electricity by virtue of three main regulations: net meter, tariff regulation and competitive procedures, where 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.

Below is a graph describing the increase in the Company's backlog of connected and ready-to-connect solar projects in Israel (megawatts; according to the 100% holding rate; the Company's share 37%-44%)[3]:

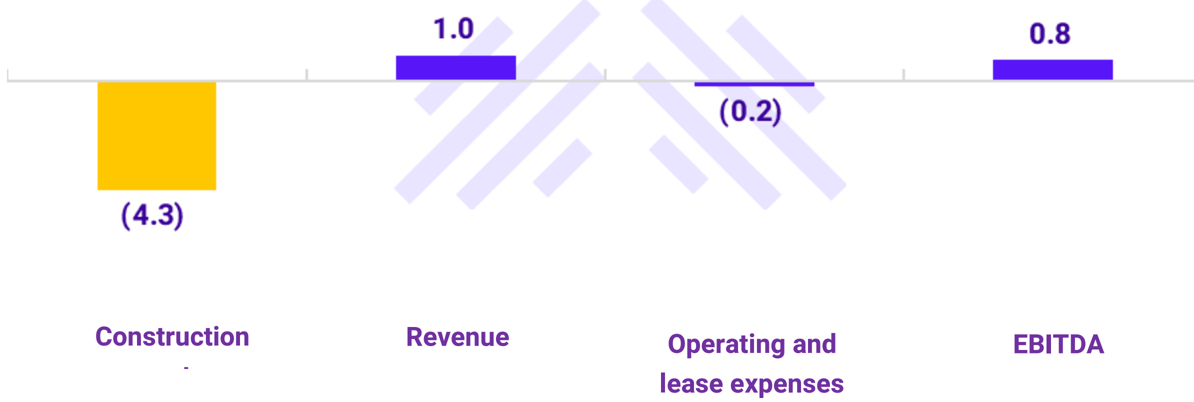
1.5.1.2 Projects in a tariff structure - Throughout the Report Period, the Company connected or completed the construction of about 48.7 megawatts of tariff systems, at a tariff of about 45 agoras per kWh, which is guaranteed for a period of 25 years. According to the publications of the Electricity Authority, this regulation is valid until the end of 2023. For additional details regarding the terms of the regulation, see Section 3.1.1.2 of the chapter Description of the Corporation's Business.

The Company's past experience shows that the Company's partnerships with kibbutzim, communities, and real estate companies, together with its construction capabilities, allow it to set up dozens of systems at the same time. This experience, together with the extension of the validity of the tariff regulation, increases the development potential and the establishment of hundreds of megawatts of tariff systems characterized by high tariffs, during the coming years.

[3] The Company's share of the portfolio is, in connected, about 37%, and in ready-to-connect, about 44%.

Below is a graph describing the increase in the backlog of projects in a tariff regulation owned by the Group, which are connected or ready to be connected (according to the holding rate of 100%; the Company's share 35%-44%)[4]:

Below is a graph describing the construction costs, revenues and average annual EBITDA per 1 megawatt of a connected or ready-to-connect tariff project (in NIS millions)[5]:



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4 The Company's share of the portfolio is, in connected, about 35%, and in ready-to-connect, about 44%.

5 The Company's estimates regarding the results of the systems in the first year of operation is forward-looking information, as this term is defined in the Securities Law, which depends on factors beyond the Company's control as detailed in Section 1.4 above. It should be emphasized that the non-realization 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 detailed in Section 1.4 above in relation to projects in Israel.

1.5.1.3 Projects with “tender” regulation - The Company has a portfolio of projects with “Roof and Reservoir Tenders” regulation with a total power of approximately 235.6 megawatts. During the Report Period, the Company connected or completed the construction of about 19 megawatts of tender systems by way of competitive procedures for roof and reservoir systems 1 and 3 and a surge quota, at guaranteed rates for 25 years of between 19.62 and 25.03 agorot per kWh[6], linked to the Consumer Price Index. In addition, these regulations allow the Company to sell the electricity produced in these systems to consumers, at the place of consumption, at a higher rate. For additional details regarding the regulation, see Section 3.1.1.2 of the chapter Description of the Corporation’s Business. The vast majority of these systems were built on top of water reservoirs. Nofar's activity in this segment demonstrates the groundbreaking and innovative nature of the Company, which began back in 2015, when the first pilot was established in the field, and continued in 2018 and 2021 when the first commercial floating system in Israel and the first high-voltage system in Israel were connected.

The uniqueness of this segment is that, unlike ground systems, its development process is relatively fast and on the other hand, it is possible to establish relatively large systems, compared to systems on roofs. In addition, the construction times of the systems is relatively short and amounts to a few weeks to months.

Below is a graph describing the growth in the backlog of tender systems owned by the Group, which are connected or ready to be connected (according to the holding rate of 100%; the Company's share 35%-44%)[7]:

[6] The rates are as of the Report Date.
[7] The Company’s share of the portfolio is, in connected, about 39%, and in ready-to-connect, about 44%.

1.5.2 The development of the Company's activities abroad

1.5.2.1 Spain

As of the Report Date, the Company owns three solar projects which are connected or under construction in the country with an aggregate capacity of 408 MW.

a. The Olmedilla project - a solar project with a total capacity of about 169 megawatts in Spain, which is held indirectly, at a rate of about 50% by the Company and is in the running stages. In light of the high electricity prices in Spain, the project company entered into a memorandum of principles regarding entering into a PPA agreement, which set the electricity prices for a period of up to 5 years, at a rate of between EUR 82.5 and 63.8 per megawatt hour (as long as the provisions of the Royal Decree remain in force (as of the Report Date, the regulations are in effect until the end of 2023) the price is about EUR 67 per megawatt hour). Accordingly, based on the assessments of the consulting company, the expected income in the first year of all of the projects in Spain[8] is about EUR 24.7 million and the EBITDA is about EUR 22.5 million.[9] It should be noted that as part of the running procedures of the Olmedilla and Sabinar I project, during the first quarter of 2023, a technical fault occurred in the substation of the Olmedilla and Sabinar projects, which necessitated a complete stoppage of the flow of electricity to the grid. In the Company's estimation, loss of revenue as a result of the stoppage of the flow to the grid will be covered under the warranty and obligations of the construction contractor. Therefore, in the Company's estimation, despite the expected decrease in revenues from the sale of electricity in the first quarter of the year, the aforementioned stoppage of flows is not expected to cause financial damage to the Company (since the Company is expected to receive compensation equal to the loss of revenues).[10]

b. Sabinar project - A solar project with a total capacity of about 238 megawatts in Spain,

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[8] The first year of operation means 12 consecutive months during which, for the first time, the system will not be limited in supplying electricity to the grid in real time. For this matter, different dates of the first year of operation were set in relation to each of the projects. In light of the differences in the first year of operation of the various projects, it is clear that the data in the table are only theoretical, assuming that all the evaluated would have started operating at the same time. It should be noted that as part of the running procedures of the Olmedilla and Sabinar I project, during the first quarter of 2023, a technical fault occurred in the substation of the Olmedilla and Sabinar projects, which necessitated a complete stoppage of the flow of electricity to the grid. It is noted that in the Company's estimation, loss of revenue as a result of the stoppage of the flow to the grid will be covered under the warranty and obligations of the construction contractor. Therefore, in the Company's estimation, despite the expected decrease in revenues from the sale of electricity in the first quarter of the year, the aforementioned stoppage of flows is not expected to cause financial damage to the Company (since the Company is expected to receive compensation equal to the loss of revenues).

[9] For details regarding the assumptions used for the calculation of these amounts, see the tables in Section 1.4 below. The Company's estimates regarding the Olmedilla results in the first year of operation is forward-looking information, as this term is defined in the Securities Law, which depends on factors beyond the Company's control as detailed in Section 1.4 above. It should be emphasized that the non-realization of one or more of the assumptions listed in Section 1.4 may cause a change in the Olmedilla results in relation to the data listed above. For details regarding the assumptions used to calculate the data, see the assumptions detailed in Section 1.4 above in relation to projects in Israel.

[10] The Company's estimates regarding the compensation for loss of income in projects is forward-looking information, as this term is defined in the Securities Law, which depends on factors that are not necessary under the Company's control, including the ability to collect the compensation funds from the construction contractor.

adjacent to the Olmedilla project. The Company identified an opportunity to leverage the system built around the Olmedilla project to execute a rapid process of the establishment of Sabinar while saving construction costs. The Company indirectly holds 47.5% of the project. The Sabinar project contains two projects, the first is Sabinar 1, a project with a total capacity of 155 megawatts, which is in the running stages. For this project, the Company signed a PPA for 2/3 of the project at a price of EUR 51. Accordingly, the expected income from the first full represented year[8,11] is about EUR 26 million, and the EBITDA is about EUR 22.4 million. The second project is Sabinar 2, a project with a scope of 83 megawatts, which is in construction phases and is expected to complete its construction in the coming months.

During the Report Period, the Sabinar project company engaged in a loan agreement in a scope of up to EUR 130 million. Insofar as the conditions for its withdrawal are met, this financing allows the withdrawal of equity invested by the Company in the establishment of the project.

c. Development of additional projects in Spain - In accordance with the amendment to the law in Spain from December 2021 regarding the possibility of double use of the connection for the installation of additional systems, the Company is working to develop wind, storage, and solar projects that will use the connection point of the Olmadilla and Sabinar projects.

1.5.2.2 Italy

Subprime company - The Sunprime company, which is indirectly held at a rate of about 29% by the Company (and 31%, assuming the provision of all of the convertible loans that the Company has undertaken to provide and their conversion), specializes in roof projects in Italy, which are secured with the CFD mechanism at high tariffs. In February 2021, Nofar identified the significant potential of Sunprime (still at a very early stage), where the Company did not yet have connected projects or projects under construction. In addition, in the Company's estimation, the great similarity between Sunprime's activity and Nofar's traditional activity in Israel creates synergies that enable utilization for the benefit of sharing experience and knowledge to accelerate Sunprime's growth. As of the Report Date, Sunprime holds a quota of approximately 204 megawatts at an average rate of approximately EUR 93 per megawatt hour. Sunprime has also accumulated projects with a capacity of approximately 270 megawatts in advanced development stages, to further expand the Sunprime portfolio in the field of roofs and other areas.

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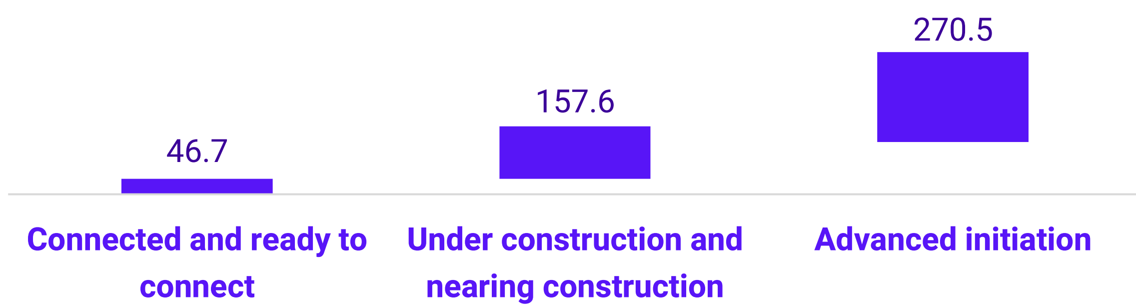
[11] The first year of operation means 12 consecutive months during which, for the first time, the system will not be limited in supplying electricity to the grid in real time. For this matter, different dates of the first year of operation were set in relation to each of the projects. In light of the differences in the first year of operation of the various projects, it is clear that the data in the table are only theoretical, assuming that all the evaluated would have started operating at the same time.

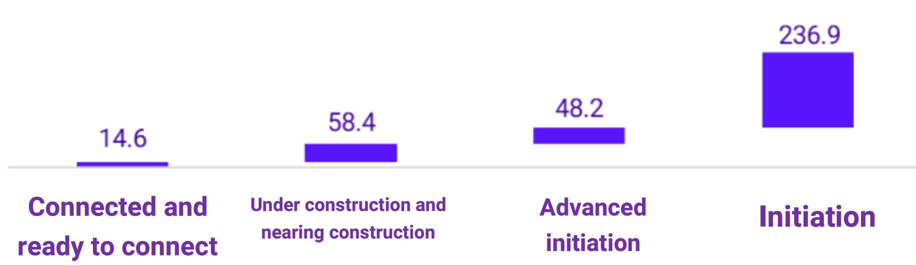
Below is a graph that describes the Sunprime portfolio (in megawatts; based on a holding rate of 100%; Company's share is about 29%-31.5%):



1.5.2.3 United States

In July 2021, the Company completed the acquisition of 67% of the rights in Blue Sky, which is engaged in the initiation, development, licensing, planning, management, construction and holding of solar projects on the roofs of commercial buildings and storage systems in the USA. [12]Blue Sky's operating model focuses on the establishment of solar systems on rooftops of commercial centers, while selling credits for the electricity produced in the systems to stores in the complex at retail rates higher than the rates at which electricity is sold under the PPA agreements of utility projects. As of the Report Date, Blue Sky owns a portfolio of projects in various stages of development. As of the Report Date, Blue Sky focuses on expanding operations, while strengthening the organizational infrastructure, strengthening the collection system, increasing partnerships with REIT funds, creating new partnerships and closing agreements with tax partners. In addition, Blue Sky is engaged in the initial development of behind-the-meter storage projects.

Below is the portfolio of solar projects of Blue Sky as of the publication date of the report (in megawatts; based on a holding rate of 100%; Company's share is about 67%)[13]:

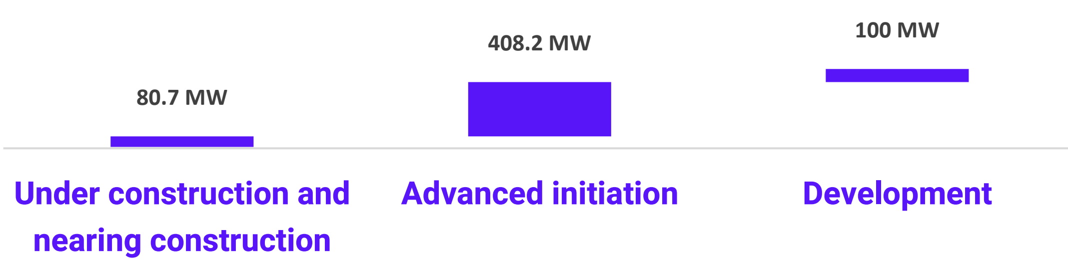


[12] For additional details, see Section 4.7.4 of the Description of the Corporation's Business chapter, as well as immediate reports published by the Company on May 25, 2021 and July 6, 2021 (reference nos.: 2021-01-029851 and 2021-01-049006), which is included in this Report by way of reference.

[13] For details regarding Blue Sky's backlog of projects, see the table in Section 1.4 above. It will be emphasized that in light of the initial development stages of the projects, as of the Report Date, there is no certainty regarding their implementation and/or their execution in the capacities as set forth on the table above.

1.5.2.4 Poland - In October 2021, Nofar Europe engaged in an agreement with Electrum SP Z O.O. ("**Electrum**"), with regard to the establishment of Electrum Nofar, which is indirectly held at a rate of 72% by the Company, and is engaged in the initiation, development, and holding of solar and wind systems with a capacity of up to 1,250 megawatts in Poland.[14] In November 2021, Nofar Europe contracted in an agreement to purchase a portfolio of projects in Poland with an estimated capacity of up to 185 megawatts[15] and in March 2022, Electrum transferred to Electrum Nofar projects with an estimated capacity of up to 412 megawatts in Poland. In addition, as of the Report Date, Electrum Nofar is engaged in initiating additional projects in Poland.[16]

Below is a graph that describes the portfolio of solar projects of the Company in Poland (based on a holding rate of 100%; Company's share is 72%)[17]:



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[14] For additional details, see Section 4.7.5 of the Description of the Corporation's Business chapter, as well as immediate reports published by the Company on November 21, 2021 (reference no.: 2021-01-168729), and March 6, 2022 (reference no.: 2022-01-022056) which is included in this Report by way of reference.

[15] For additional details, see Section 4.7.10 as well as the report published by the Company on November 24, 2021 (reference no.: 2021-01-170472), which is included in this Report by way of reference.

[16] In light of the initial development stages. As of the Report Date, there is no certainty regarding the success of the negotiations or the establishment of the systems.

[17] The Company's share in the portfolio is about 90% for construction/nearing construction, about 77% for advanced initiation, and about 72% for development.

1.5.2.5 Romania - During 2022, the Company completed the construction of the Ratesti project with a capacity of about 155 megawatts. To the best of the Company's knowledge, this project, which is 50% held by the Company, is expected to be the largest solar project in the country. The project is expected to connect to the grid during the upcoming months and go into full commercial operation. At the same time, the Company is preparing to start construction in the coming months of four projects with a total capacity of about 627, which is expected to position Nofar as a leading player in the Romanian photovoltaic market. Beyond that, the Company is considering the initiation, purchase and development of solar projects and other storage projects in Romania[18]

1.5.2.6 Establishing additional development platforms - During 2022, the Company engaged with local developers in Bulgaria, Greece, Serbia, and the Czech Republic in agreements with regard to the acquisition of projects and/or the establishment of a joint development platform engaged in the initiation of solar projects. As of the Report Date, the local developers are working to initiate and locate projects in these countries[16].

1.5.3 **Creating leadership in the field of electricity storage**

1.5.3.4 Stand Alone storage in the United Kingdom - After accumulating knowledge and experience in the local market, the Company leveraged the experience and know-how gained in the field and established, together with a local company in the United Kingdom (the Interland company), a dedicated partnership (Atlantic Green), held 75% by the Company, which is engaged in the development, promotion, construction and maintenance of storage systems in the United Kingdom. As part of the partnership, the Company promotes the construction of a storage facility, which, as of the Report Date, is one of the largest in the United Kingdom, with an expected capacity of approximately megawatt hours, an additional project, Buxtan, with a total capacity of 60 megawatt hours, which is in the process of construction and expected to be connected by the end of 2023, and an additional project, Toton, with a capacity of 260 megawatt hours, which is undergoing licensing, and under the terms of the agreement, the connection is expected to take place in stages in 2024-2025.

Below is a graph that describes the Company's estimates regarding the construction costs, revenue, and EBITDA in the first year of the Company's storage projects in the United Kingdom (in GBP millions)[19]:

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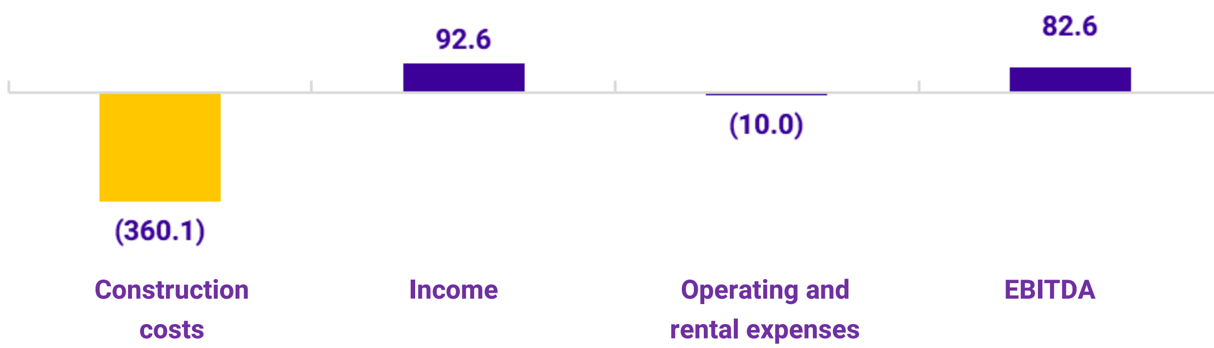
[18] It will be emphasized that in view of the first stages of the projects and the negotiations, at the Report Date, there is no certainty regarding the success of the development of the projects and their implementation.

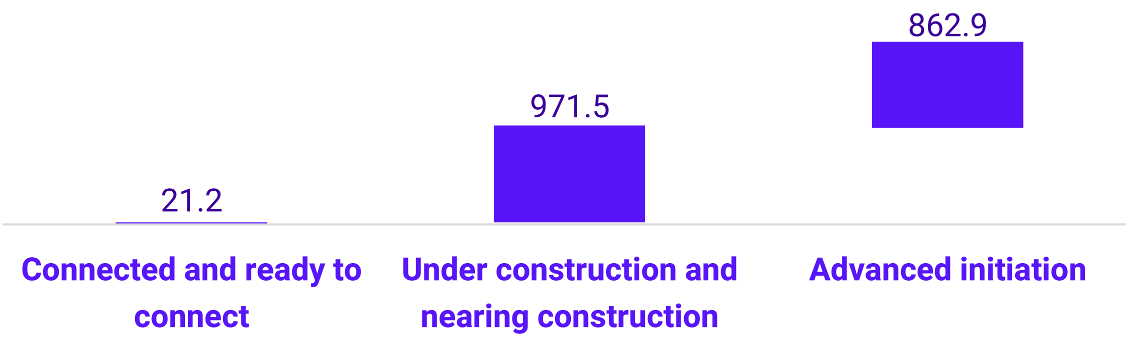
[19] For details regarding the assumptions used to calculate the data, see Section 1.4 above. The Company's estimates regarding the Cellarhead, Buxton, and Toton results in the first year of operation is forward-looking information, as this term is defined in the Securities Law, which depends on factors beyond the Company's control as detailed in Section 1.4 above. It should be emphasized that the non-realization of one or more of the



1.5.3.1 Behind-the-meter storage in Israel - Nofar leverages its expertise in the field of storage, the array of partnerships with kibbutzim and real estate and logistics companies, and its relationships with the leading equipment suppliers in order to rapidly expand in the field of behind-the-meter storage in Israel and establish its position as a leader in the field. As of the Report Date, the Company completed the construction of approximately 21.2 MWh, a portfolio of projects under construction and nearing construction in a total scope of approximately 213.5 megawatt hours. It has also received a license for the supply of electricity, which is expected to improve the profitability of the storage systems. The Company is examining the use of the storage systems for the purpose of supplying electricity as a supplier to an end consumer by virtue of the market regulation that is expected to allow bilateral sales in 2024.

assumptions listed in Section 1.4 may cause a change in the Cellarhead, Buxton, and Toton results in relation to the data listed above. For details regarding the assumptions used to calculate the data, see the assumptions detailed in Section 1.4 above.

Below is a graph that describes the portfolio of storage projects in advanced stages (based on a holding rate of 100%; Company's share is about 28%-34%)[20]:

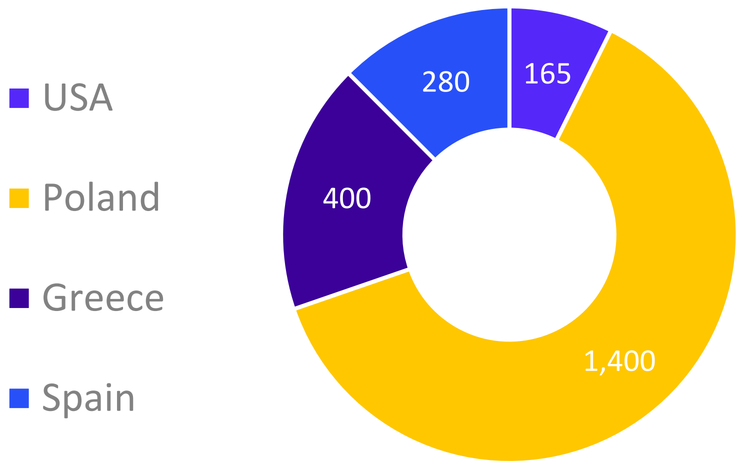


1.5.3.2 Expansion of the activity in the field of storage - In addition to the activity in Israel, the United Kingdom, as of the Report Date, the Company is developing and has acquired additional storage projects with an aggregate capacity of about 2,245 megawatt hours in Spain, Poland, the United States, and Greece. Beyond this, the Company is considering the integration of storage systems in additional territories in which it operates and new territories. The Company recognizes the storage field as a potential growth engine and intends to utilize the expertise it has developed in the field in order to expand in the field by entering into quality projects.[21]

[20] The Company's share in the portfolio is: about 28% that are connected and ready to connect, about 28% that are under construction and nearing construction, and about 34% that are under advanced initiation. In light of the initial development stages of the projects, as of the Report Date, there is no certainty regarding their implementation and/or their execution in the capacities as set forth on the table above.

[21] The Company's estimates and plans are forward-looking information, as this term is defined in the Securities Law, 5728-1968, which depends on factors beyond the Company's control, and specifically, regulation supporting storage projects, the continued decrease in storage system prices, and so on.

Below is a graph that describes the portfolio of storage projects in development stages of the Company (based on a holding rate of 100%)[22]:



For details regarding the business-economic environment of the Company that impact and may impact the results of the Company and its plans, see Section 2.2 of the Description of the Corporation's Business company for 2022.

[22] For details regarding the composition of the storage projects in initiation and development stages, see the table in Section 1.4 above. It is emphasized that in light of the preliminary stages of the projects, as of the Report Date, there is no certainty regarding the completion of their development and construction, and specifically, their capacities as listed above.

1.5.4 Financial stability

In the last year and a half, the Company raised about NIS 864 billion in capital and bonds, as follows:

1.5.4.1 In December 2022, the Company issued NIS 309 million par value bonds.

1.5.4.2 In October 2021, the Company carried out a private placement of the Company's shares against a total amount of approximately NIS 555 million.

4.6

Total balance sheet
NIS billions

55%

Equity to total balance sheet

1.6

Equity attributed to the Company's shareholders
NIS billions

1.55

Gross liquid assets, cash and cash equivalents and unused credit line, NIS billions

605

Scope of investments 2022
NIS billions

1.41

Immediate liquidity ratio

1.6 **Financial condition:**

Section	As of				Explanations of the Board of Directors
	December 31, 2022		December 31, 2021		
	NIS thousands				
	Amount	% of total balance sheet	Amount	% of total balance sheet	
Cash and cash equivalents	237,865	5.2%	904,345	41.5%	See the report of cash flows, the main decrease from the corresponding period last year is due to the injection of capital for projects in Europe, and obtaining control of a subsidiary compared to increase in a private placement, the issue of additional bonds, and receipt of loans.
Shorts term deposits	498,761	10.8%	161,025	7.4%	The main increase is due to deposits into deposits during the Report Period.
Restricted cash for short term	370	0.0%	640	0.0%	Deposits against guarantees given.
Customers	250,199	5.4%	234,469	10.8%	The main increase is due to a significant increase in the scope of the Company's projects financed by the Company's equity, in lieu of bank financing until construction was completed during the Report Period.
Accounts receivable	57,434	1.2%	21,575	1.0%	The main increase is due to expenses in advance for licensing and projects under construction and advances to suppliers from the Company and from a consolidated company in which control was obtained.
Inventory	51,680	1.1%	56,619	2.6%	The decrease from the corresponding period last year is due to the realization of inventory for projects.
Total current assets	**1,096,309**		**1,378,673**		
Investments in investee companies accounted for using the equity method	959,419	20.8%	398,032	18.3%	The main increase is due to investments in the companies accounted for using the equity method, and the Company's share of the revaluation fund of fixed assets in the associates in the Report Period.

Section	As of				Explanations of the Board of Directors
	December 31, 2022		December 31, 2021		
	NIS thousands				
	Amount	% of total balance sheet	Amount	% of total balance sheet	
Right of use asset	204,662	4.4%	64,119	2.9%	The increase in the balance of the right-of-use asset results from a consolidated company in which control was obtained and from an increase in lease agreements signed by the Company during the Report Period.
Financial derivatives	27,568	0.6%	---	---	The balance arises from a consolidated company in which control was obtained.
Shareholders - long-term accounts payable	29,809	0.6%	---	---	The balance arises from a consolidated company in which control was obtained.
Fixed assets	1,752,805	38.0%	199,345	9.2%	The increase in the balance of fixed assets is mainly due to the allocation of excess cost in a consolidated company in which control was obtained and an increase in the systems owned by the Group.
Long term deposits	35,769	0.8%	5,530	0.3%	The main increase is due to deposits into deposits during the Report Period.
Long-term restricted cash	3,209	0.1%	963	0.0%	Deposits against guarantees given.
Deferred taxes	7,908	0.2%	---	---	
Intangible asset	500,852	10.8%	131,111	6.0%	The increase is due to the allocation of excess cost from consolidated companies in which control was obtained.
Total non-current assets	**3,522,001**		**799,100**		
Total assets	**4,618,310**		**2,177,773**		
Short-term loans and current maturities for long-term loans from banks	330,690	7.2%	36,884	1.7%	The increase is due to loans received by the Group during the Report Period and ongoing long-term loan repayments of the Group and a consolidated company in which control was obtained.
Bonds - current maturities	121,370	2.6%	---	---	

Section	As of				Explanations of the Board of Directors
	December 31, 2022		December 31, 2021		
	NIS thousands				
	Amount	% of total balance sheet	Amount	% of total balance sheet	
Current maturities of long-term lease liability	13,396	0.3%	4,546	0.2%	
Suppliers and service providers	100,977	2.2%	67,930	3.1%	The main increase is due to a consolidated company in which control was obtained.
Accounts payable	58,957	1.3%	18,699	0.9%	The main increase is due to the balance of VAT payable, expenses payable for competitive procedures and a loan from the minority in a consolidated company.
Financial derivatives	4,952	0.1%	1,981	0.1%	Warrants given to third parties to purchase the Company's share in associates were recognized as financial derivatives in the Company's financial statements as well as forward transactions with banks. Financial derivatives are measured at fair value through profit or loss.
Related parties - short term payables	109,244	2.4%	---	---	The balance arises from a deferred obligation to pay minority shareholders in a company in which control was obtained.
Total current liabilities	**739,586**		**130,040**		
Long-term loans from banks	296,295	6.4%	66,070	3.0%	The main increase is due to a consolidated company in which control was obtained and the allocation of excess costs for it.
Lease liabilities	194,822	4.2%	63,566	2.9%	The increase in the liability balance results from a consolidated company in which control was obtained and from an increase in lease agreements signed by the Company during the Report Period.
Loans from a related party	21,129	0.5%	18,171	0.8%	Loans received from the Noy Fund in a consolidated partnership.
Deferred taxes	205,109	4.4%	50,545	2.3%	The main increase is due to the allocation of excess cost in a company in which control was achieved.

Section	As of				Explanations of the Board of Directors
	December 31, 2022		December 31, 2021		
	NIS thousands				
	Amount	% of total balance sheet	Amount	% of total balance sheet	
Bonds	613,863	13.3%	398,318	18.3%	The increase in the Report Period is due to the additional bond issuance against the decrease as a result of financing for current maturities.
Other liabilities	22,887	0.5%	4,190	0.2%	The increase arises mainly from a liability to the tax partner in the US and a consolidated company in which control was obtained.
Total non-current liabilities	**1,354,105**		**600,860**		
Shareholders' equity and premium	1,568,696	34%	1,568,696	72%	
Surplus (loss balance)	(68,533)	(1.5%)	(225,451)	(10.4%)	
Capital funds	117,851	2.6%	49,406	2.3%	The main increase is due to the Company's share of other gross profit of corporations accounted for using the equity method, attributed to the revaluation of fixed assets, share-based payment and change in the translation difference fund.
Total capital attributed to shareholders of the Company	**1,618,014**		**1,392,651**		
Non-controlling interests	906,605	19.6%	54,222	2.5%	In respect of consolidated companies in which control was obtained.
Total capital	**2,524,619**		**1,446,873**		
Total liabilities and capital	**4,618,310**		**2,177,773**		

1.7 Results of operations:

Section	For a period of one year ending on December 31			Explanations of the Board of Directors
	2022	2021	2020	
	NIS thousands			
Income	324,568	360,762	214,568	The decrease in revenues is due to a decrease in revenues from construction contractors (EPC) due to the Company's decision to focus on activities outside of Israel.
Company's share in the profits (losses) of companies handled based on the equity method, net	9,371	(211)	(952)	
Other income - tax partner	7,629	---	---	For receipts from a tax partner in the United States.
Total income and profits	**341,568**	**360,551**	**213,616**	
Construction and operating costs	322,304	327,027	181,134	The main increase from 2020 arises from an increase in income and personnel of the Company.
Marketing and sale expenses	8,757	7,516	2,797	The main increase arises from advertising and sales promotion costs of the Company and an increase in the Company's personnel.
Management and general expenses	38,035	16,935	7,429	The main increase arises from an increase in personnel of the Company and consolidated companies, as well as consulting expenses.
Other expenses	23,356	381	1,954	Mainly for a provision for competitive procedures.
Total expenses	**392,452**	**351,859**	**193,314**	
Other income	209,948	512	111	Mainly for obtaining control in an associate.
Allotment of shares and one-time bonus to officers	---	---	(281,654)	

Section	For a period of one year ending on December 31			Explanations of the Board of Directors
	2022	2021	2020	
NIS thousands				
Operating profit (loss)	**159,064**	**9,204**	**(261,241)**	
Rate of operating profit from revenue	47%	3%	(122%)	
Financing expenses	52,457	23,132	5,520	Main increase arises from interest and linkage for bonds.
Financing income	46,684	17,015	1,030	The main increase arises from an increase in exchange rate differences for forex balances and interest income for the Company accounted for using the equity method in consolidated companies.
Net financing expenses	5,773	6,117	4,490	
Profit (loss) before withholding income tax	**153,291**	**3,087**	**(265,731)**	
Rate of profit (loss) before withholding income tax	45%	1%	(123%)	
Income tax expenses (tax benefit)	4,783	(193)	(13,325)	The increase arises mainly from an update of deferred taxes of the Group.
Profit (loss) for the year	**148,508**	**3,280**	**(252,406)**	
Profit (loss) for the year, attributable to Company shareholders	153,746	4,383	(252,217)	
Non-controlling interests	(5,238)	(1,103)	(189)	
Total net profit (loss)	**148,508**	**3,280**	**(252,406)**	
Rate of profit (loss) for the year	43%	1%	(118%)	

Section	For a period of one year ending on December 31			Explanations of the Board of Directors
	2022	2021	2020	
NIS thousands				
Adjustments arising from translation of financial statements for foreign operations	62,062	(29,833)	(192)	The change is due to exchange rate differences in respect of foreign currency balances.
Reassessment for revaluation of fixed assets	653	9,406	265	The change is due to the update of the revaluation fund carried out by the Company.
Share in other comprehensive profit (loss) of corporations accounted for using the equity method	10,134	25,613	19,307	The change is due to the update of the revaluation fund carried out by the Company.
Total other comprehensive profit (loss)	**72,849**	**5,186**	**19,380**	
Rate of other comprehensive profit (loss) from income	21.3%	1.4%	9.03%	
Comprehensive profit (loss) for the year attributed to the Company's shareholders	219,629	9,569	(232,837)	
Non-controlling interests	1,728	(1,103)	(189)	
Total comprehensive profit (loss) for the year	**221,357**	**8,466**	**(233,026)**	

1.8 **Liquidity:**

Section	For a period of one year ending on December 31			Explanations of the Board of Directors
	2022	2021	2020	
	NIS thousands			
Net cash flow from (for) current activities	(234,611)	(103,089)	(142,199)	See Consolidated Statements of Cash Flows. Cash flow used for current activities in the Report Period arises mainly from a change in the Company’s working capital.
Net cash flow used for investing activity	(1,066,377)	(355,348)	(190,600)	See Consolidated Statements of Cash Flows. The cash flow used for the investment activity during the Report Period resulted mainly from investments and loans in companies accounted for using the equity method, investments in fixed assets, obtaining control of a consolidated company and depositing to deposits.
Net cash flow arising from financing activities	602,484	888,327	810,480	See Consolidated Statements of Cash Flows. The cash flow used for financing activities during the Report Period resulted mainly from the issuance of additional bonds, receiving short and long-term loans, receipts from a tax partner in a consolidated company against the repayment of long-term loans.

Disclosure in accordance with Article 10(b)(1)(d) of the Securities Regulations (Periodic and Immediate Reports)

During the Report Period, the Company had a continuous negative cash flow from current activities in the solo report and the consolidated report. Given the Company's cash balances, as well as the fact that the negative cash flow stems mainly from investments in growth platforms abroad and from financing that the Company provided to the project corporations - except for taking on bank debt by them, in the assessment of the Company's board of directors, a negative cash flow from current operations does not indicate a liquidity problem in the Company.

1.9 **Sources of financing:**

The Group finances its activities, mainly, from the issuance of shares, current profits, credit from banking corporations and credit from suppliers, as detailed below:

1.9.1 The issuance of shares - Following the Noy Fund’s private investment in the Company in

September 2020, in which it invested a total of approximately NIS 224.9 million, against the allotment of shares which at the time constituted approximately 24.64% of the Company's issued and paid-up capital, and for an initial public offering (IPO) of the Company's shares by virtue of the Company's prospectus, in which the company issued, during December 2020, 5,802,950 shares, for which the Company was paid a total of NIS 577,974 thousand, on October 27, 2021, the Company completed a private placement and listing for trade of 7,744,907 ordinary shares of the Company, against a total payment of about NIS 555 million to 16 classified investors, as this term is defined in the First Schedule to the Securities Law, 5728-1968. For additional details, see immediate reports published by the Company on October 25, 2021 (reference no.: 2021-01-090994), and October 27, 2021 (reference no.: 2021-01-091786) which is included in this Report by way of reference.

1.9.2 Issuance of bonds - on August 16, 2021, the Company completed the issue of NIS 400 million par value Bonds (Series A) (hereinafter: the "**Bonds (Series A)**" or the "**Bonds**"). The Bonds are index-linked, bear annual interest at a rate of 1.48% and are repaid in ten biannual, unequal payments, starting on June 30, 2023, and until December 31, 2027. For additional details regarding the terms of the Bonds, see **Appendix A** of the Board of Directors' Report, the Shelf Offer Report published by the Company on August 12, 2021 (reference no.: 2021-01-131616), the report of the issuance and the trust deed dated August 16, 2021 (reference no.: 2021-01-065704 and 2021-01-065244), which is included herein by way of reference.

On September 8, 2022, the Company completed a private placement, by way of a series expansion, to 13 classified investors (hereinafter: the "**Offerees**"), of 317,005,000 Bonds (Series A). The Bonds (Series A) were issued against payment of an amount of 98.5 agorot per NIS 1 par value of Bond, and in total, consideration of NIS 312,249,925 for all of the aforesaid Bonds (Series A). Following the issue of the private placement, the total Bonds (Series A) increased to NIS 717,005,000 par value. For additional details regarding the terms of the issue, see the immediate report published by the Company on September 7, 2022 (reference no.: 2022-01-093141), which is included in this Report by way of reference.

1.9.3 Long-term loans (including current maturities) - The average long-term credit was NIS 88.8 million in 2022, compared to about NIS 51.5 million in 2021, and about NIS 14.3 million in 2020.

The average rate of the long-term cost of credit was about 5.9% in 2022, compared to about 3.74% in 2021, and about 3.2% in 2020.

1.9.4 Short-term credit - The average short-term credit was in the amount of about NIS 130.4 million in 2022, compared to about NIS 57.2 million in 2021, and about NIS 59.6 million in 2020.

The average rate of the short-term cost of credit was about 5.45% in 2022, compared to about 2.34% in 2021, and about 3.6% in 2020.

1.9.5 Suppliers - The credit provided to the Group by the suppliers ranges between cash and net+60. The average supplier days amounted to about 65 days in 2022, compared to about 54 days in 2021, and about 60 days in 2020.

The average credit balance of the suppliers amounted to about NIS 71.1 million in 2022, compared to about NIS 54.1 million 2021, and about NIS 15 million in 2020.

1.9.6 Customers - The credit provided by the Group to customers ranges between cash and net+60. The average customer days amounted to about 75 days in 2022, compared to about 63 days in 2021, and about 50 days in 2020.

The average credit balance of the customers amounted to about NIS 284.1 million in 2022, compared to about NIS 235.3 million 2021, and about NIS 16 million in 2020.

1.9.7 For additional details regarding the sources of financing of the Group, see Section 4.5 of the chapter of the Description of the Corporation's Business.

1.10 Substantial loans and credits

For details regarding material loans and credits taken by the Group, see Section 4.5.5 in Part A of the periodic report for 2022, Section 4.5.5 in Part A of the periodic report for 2021, and also Section 3.8.8 in the chapter of the Description of the Corporation's Business in the periodic report for 2020, which are included herein by way of reference.

For details regarding the terms of the Bonds (Series A) issued by the Company, see **Appendix A** of the Board of Directors' Report, the Shelf Offer Report published by the Company on August 12, 2021 (reference no.: 2021-01-131616), the report of the issuance and the trust deed dated August 16, 2021 (reference no.: 2021-01-065704 and 2021-01-065244), which is included herein by way of reference.

For details regarding the companies' compliance with the financial benchmarks to which they committed in relation to material credit, see Section 4.5.5 of Part A of the 2022 periodic report.

1.11 Pro-forma data included in the Proforma Report

On December 28, 2022, the Company completed an additional purchase of 12.5% of the issued and paid-up share capital of Noy Nofar Europe, giving the Company a weighted holding rate of 52.5%. In exchange for these shares, the Company paid EUR 28 million on the transaction date and an amount of about EUR 29 million will be paid after the balance sheet date. This purchase constitutes a pro-forma event as defined in Article 1 of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

Accordingly, the financial statements of the Company include, *inter alia*, a pro-forma report, which reflects the results of the pro-forma consolidated reports of profit or loss and other comprehensive profit for each of the three years ending on December 31, 2022 (in other words, if the purchase transaction was completed on January 1, 2020). For details, see the Proforma Report.

1.12 Material valuations

For the purpose of determining the value of data in the Company's financial statements, the Company made use of the valuations, *inter alia*, as set forth in the table below.

Below are details regarding the valuations in accordance with Article 8b(i) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970:

Subject of the assessment:	**Allocation of share purchase cost (PPA) within the framework of purchase in stages of 50% of the share capital of Sunprime Generation SRL under IAS 28.**			**Examination for impairment of goodwill created in a purchase transaction in which the Company acquired 67% of the shares of Blue Sky.**	**Allocation of share purchase cost (PPA) as part of the increase in control of Noy Nofar Europe, General Partner Ltd. and Noy Nofar Renewable Energies Europe, Limited Partnership**	**Solar systems in commercial operation as of December 31, 2022**
	February 2021	**September 2021**	**April 2022**			
Timing of the Assessment:	November 2022			December 31, 2022	December 28, 2022	December 31, 2022
Value of the subject of the assessment if the generally accepted accounting rules did not require the change in the value in accordance with the valuation:	---			USD 84.7	---	NIS 308.6 million
Value of the assessment subject in accordance with the valuation:	EUR 5 million	EUR 15 million	EUR 20 million	USD 97.6	EUR 466 million	NIS 398.6 million
Identity of assessor:	The valuation was carried out by Mr. Yaniv Abadi, CPA, Founding Partner of Beta Finance and an expert in financing and valuations. Mr. Abadi holds a bachelor's degree in accounting and economics with honors, a CPA and a master's degree in business administration specializing in finance and accounting with honors. Yaniv has over 13 years of experience in consulting and management and teaching in academic institutions (in the field of accounting and finance) including broad experience in business, strategy and financial consulting. Before joining Beta Finance, Yaniv served as Chief Economist of an international holding company. Yaniv has experience in valuations of both public as well as private companies, transaction fairness opinions, share valuations (A409), purchase cost allocation (PPA), ESOP valuations and complex financial instruments, economic feasibility studies, and costing analysis for projects and more.					Performed by the Company's analysis department

Subject of the assessment:	Allocation of share purchase cost (PPA) within the framework of purchase in stages of 50% of the share capital of Sunprime Generation SRL under IAS 28.			Examination for impairment of goodwill created in a purchase transaction in which the Company acquired 67% of the shares of Blue Sky.	Allocation of share purchase cost (PPA) as part of the increase in control of Noy Nofar Europe, General Partner Ltd. and Noy Nofar Renewable Energies Europe, Limited Partnership	Solar systems in commercial operation as of December 31, 2022
	February 2021	September 2021	April 2022			
Reference to indemnification agreements with the appraiser:	Liability is limited in accordance with Legal Position 105-30 of the Securities Authority					---
Assessment model:	A combined approach of adjusted equity (NAV) while factoring the cash flow of one of the projects at a discount rate relevant to the owner (DCF for Equity) and doubling the probability of the project's realization and deducting capitalized management expenses (management claim)			A combined approach of adjusted equity (NAV) while factoring the cash flow of one of the projects at a discount rate relevant to the owner (DCF for Equity) and doubling the probability of the project's realization and deducting capitalized management expenses (management claim)	A combined approach of adjusted equity (NAV) while factoring the cash flow of one of the projects at a discount rate relevant to the owner (DCF for Equity) and doubling the probability of the project's realization and deducting capitalized management expenses (management claim)	Unlevered discounted cash flow (DCF) which is expected to arise from the assets in the future
The methodology and main assumptions according to which the valuation was carried out:	The expected cash flows to the shareholders (after financing expenses and tax) were estimated separately for connected projects / under construction / under development according to the specific characteristics, commercial conditions, system performance and market conditions, as they were known at the cut-off date. The revenue forecast for each solar system was estimated as the multiple of the installed power, and a degradation rate of approximately 0.5% per year.			The expected cash flows to the shareholders (after financing expenses and tax) were estimated separately for connected projects / under construction / under development according to the specific characteristics, commercial conditions, system performance and market conditions, as they	The expected cash flows to the shareholders (after financing expenses and tax) were estimated separately for connected projects / under construction / under development and for projects in Spain and Italy, according to the specific characteristics, commercial conditions,	The forecast of the expected cash flows was estimated for each solar system separately, according to the specific characteristics, the commercial conditions, the performance of the system and the market conditions as they were known at each cut-off date. The forecast at each cut-off date was determined

Subject of the assessment:	Allocation of share purchase cost (PPA) within the framework of purchase in stages of 50% of the share capital of Sunprime Generation SRL under IAS 28.			Examination for impairment of goodwill created in a purchase transaction in which the Company acquired 67% of the shares of Blue Sky.	Allocation of share purchase cost (PPA) as part of the increase in control of Noy Nofar Europe, General Partner Ltd. and Noy Nofar Renewable Energies Europe, Limited Partnership	Solar systems in commercial operation as of December 31, 2022
	February 2021	September 2021	April 2022			
	The cash flows to the shareholders were capitalized at the capitalization rate for the shareholders (Ke) - 8.94%, when capitalized management expenses (management claim) were deducted from the value of these cash flows.	The revenue forecast for each solar system was estimated as the multiple of the installed power, and a degradation rate of approximately 0.5% per year. The cash flows to the shareholders were capitalized at the capitalization rate for the shareholders (Ke) - 9.44%, when capitalized management expenses (management claim) were deducted from the value of these cash flows.	The revenue forecast for each solar system was estimated as the multiple of the installed power, and a degradation rate of approximately 0.5% per year. The cash flows to the shareholders were capitalized at the capitalization rate for the shareholders (Ke) - 10.43%, when capitalized management expenses (management claim) were deducted from the value of these cash flows.	were known at the cut-off date. The revenue forecast for each solar system was estimated as the multiple of the installed power, and a degradation rate of approximately 0.5% per year. The cash flows to the shareholders were capitalized at the capitalization rate for the shareholders (Ke) - 10.54%, 13.04% and 15.54% for projects in operation, under construction and development respectively, when capitalized management expenses (management claim) were deducted from the value of these cash flows.	system performance and market conditions, as they were known at the cut-off date. The revenue forecast for each solar system was estimated as the multiple of the installed power, and a degradation rate of approximately 0.5% per year. The cash flows to the shareholders were capitalized at the capitalization rate for the shareholders (Ke) - 15.61% and 17.34% for projects in Spain and Italy, respectively, when capitalized management expenses (management claim) were deducted from the value of these cash flows.	according to the balance of the contractual period in the agreements and does not include the residual value. The revenue forecast for each solar system was estimated as the multiple of the installed power, and a degradation rate of approximately 0.5% per year, an estimate of annual sunshine hours of about 1,740 and the tariff, in accordance with the relevant regulation. The discount rate is 7.5%.

2 Aspects of Corporate Governance

2.1. Effectiveness of internal control

Attached in Chapter E of this Report is a report on the Company's internal control.

In addition, in accordance with the provisions of Article 9b(c1) of the Reporting Regulations, the provisions of Article 9b(c) of the Reporting Regulations apply, based on which the opinion of the auditor must be attached to the Company's financial statements, regarding the effectiveness of the internal control on financial reporting and the material weaknesses that it identities in this review, will not apply to the Company before five years from the date on which it became a reporting corporation, excluding audits in certain cases set forth in the same article.

2.2. Market risks and their management

As of the Report Date, the Company's financial statements do not include a reportable segment, which is a financial activity segment, and as of the Report Date, the corporation has no material financial activity. Accordingly, and given Article 10(b)(7) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, the report does not include disclosure of market risks and their management.

2.3 Donations

As of the Report Date, the Company does not have a donations policy. During the Report Period, the Company donated immaterial amounts.

2.4 Directors with accounting and financial expertise

At the meeting of the board of directors on September 30, 2020, the board of directors resolved, according to Section 92(a)(12) of the Companies Law, that the appropriate minimum number of directors with accounting and financial expertise, including the outside directors (to be appointed in accordance with the provisions of the Companies Law, subject to the company becoming a public company or a reporting corporation, as the case may be), is two (including outside directors) (hereinafter: the "**Appropriate Minimum Number**").

The Appropriate Minimum Number is determined taking into account, among other things, the size of the Company, areas of activity and nature of the accounting and financial matters that arise in the examination of the Company's financial situation, preparation of its financial statements and their approval.

In the assessment of the Company's board of directors, after the affidavits of the directors were brought before it, in which they detailed their education and business experience in accordance with the Company Regulations (Conditions and Tests for a Director with Accounting and Financial Expertise and for a Director with Professional Competence), 5766-2005, the members of the Company's board of directors who have accounting and financial expertise are Mr. Yoni Tal, Mrs. Dafne Esther Cohen and Mr. Gili Cohen. For details regarding their education, qualifications, experience, and know-how, based on which the Company regards them as having accounting and financial expertise, see Article 26 of Chapter D - Additional Details of the Corporation.

2.5 Independent directors

As of the Report Date, the Company has not adopted a provision in its articles of association regarding the rate of independent directors. However, as of the Report Date, three of the directors of the Company (in other words, Mr. Yoni Tal, Ms. Dafne Esther Cohen and Mr. Gili Cohen) are independent directors, as this term is defined in the Companies Law. In addition, Messrs. Zvi Levin and Yonit Partok meet the definition of independent directors, but are not classified as such. For details regarding Mr. Yoni Tal, Ms. Dafne Esther Cohen, and Mr. Gili Cohen, see Article 26 of Chapter D - Additional Details about the Corporation.

2.6 Auditor

On January 31, 2021, 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 the internal auditor:	Haim Halfon
Appointment date:	Jan. 31, 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 a certified public accountant with a bachelor's degree in economics and accounting from the Hebrew University and a master's degree in finance from the Hebrew University. In the assessment of the Company's board of directors, relying on the notice of the internal auditor, 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 of securities of the corporation	To the best of the Company's knowledge, according to the notice of the internal auditor, the internal auditor does not hold securities of the Company or an entity related to the Company, as this term is defined in the Fourth Schedule to the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

Name of the internal auditor:	Haim Halfon
Material business relationships with the Company or a related body:	In 2022, the internal auditor provided the Company with services in connection with the effectiveness of the internal control. To the best of the Company's knowledge, based on the internal auditor's statement, the internal auditor has no material business relationships or other material relationships with the Company or with a body related to the Company, as defined in the Fourth Schedule to the Securities Regulations (Periodic and Immediate Reports), 5730-1970.
Corporate employee / service provider:	The internal auditor provides internal audit services as an external party to the Company through the accounting firm PKF Amit Halfon. The internal auditor provides his services personally and through the employees of his firm. It should be noted that the internal auditor does not play any additional role in the Company beyond his position as an internal auditor. To the best of the Company's knowledge, relying on the internal auditor's statement, the internal auditor does not hold a position outside the corporation that could create a conflict of interest with his role as an internal auditor in the Company.
Approval of the appointment:	The internal auditor was appointed to the position in January 2021. The appointment of the internal auditor was approved by the audit committee. When approving his appointment, the members of the audit committee relied, among other things, on the auditor's education and professional experience. When approving his appointment, the committee members relied on the auditor's education and professional experience. In the assessment of the committee members, the scope, nature and continuity of the internal auditor's activities and his work plan are reasonable under the circumstances, and are able to fulfill the goals of the Company's internal audit.
Organizational supervisor:	The supervisor over the internal auditor is the chairman of the audit committee, remuneration and the committee for examining the financial statements. The decision regarding the appointment of the chairman of the audit and remuneration committee and the committee for examining the financial statements as responsible for the internal auditor was made in view of the fact that the entire audit plan is determined and is supervised by the Company's audit committee.
Work plan:	The audit plan for 2021 included conducting a risk survey for the Company. In reliance on the results of the risk survey and the internal auditor's recommendation based on the same, at the audit committee meeting held in March 2022, the audit committee approved a multi-year audit plan, subject to adjustments as they arise over the years, and an audit plan for 2022. In March 2022, the audit committee determined that the internal audit plan for 2022 will examine the following topics: (1) project initiation, (2) business development abroad and (3) payments. The audit plan refers to the Company and consolidated companies of the Company, in Israel and outside of Israel and it included, among other things, an examination of the investment transactions carried out by the Company in the last two years.
Scope of the transaction:	In 2022, the internal auditor provided audit services amounting to 400 hours. The scope of audit hours was determined based on the internal auditor's recommendations regarding the scope of audit hours required for compliance with the annual audit plan.

Name of the internal auditor:	Haim Halfon
Professional standards:	In accordance with the internal auditor's notice, the audit is conducted according to accepted professional standards for internal audit in Israel, including professional guidelines and briefings as approved by the Institute of Internal Auditors in Israel. Based on 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 access to information:	During the reporting year, the internal auditor was given free access to the information requested thereby, including constant and unmediated access to the Company's information systems, including financial data.
Audit reports:	In August 2022, the internal auditor submitted an audit report on project initiation in Israel, which was discussed at the audit committee meeting on August 28, 2022. In March 2023, the audit report on business development abroad was presented for discussion at the audit committee meeting of March 27, 2023. As of the Report Date, the internal auditor is preparing an audit report on payments. Also, in March 2023, the internal auditor submitted a recommendation for an audit plan for 2023. All audit reports discussed and submitted for approval by the audit committee were submitted in writing.
Remuneration of the internal auditor:	The internal auditor's fee for an internal audit is set at an amount of NIS 250 per hour of work in 2022 and NIS 275 in 2023 (all plus VAT). Given the internal auditor's salary, in the opinion of the Company's board of directors, the remuneration is reasonable and, in its estimation, will not influence the judgment of the internal auditor when auditing the Company.

2.7 Details regarding the Company's auditor

The auditors of the Company are BDO Ziv Haft.

Below are details regarding the fees of the auditor:

Details of the company	Name of the auditor firm	Type of service	2022	2021
The Company	BDO Ziv Haft	Audit, audit-related services, including tax services related to the audit	550,000	450,000
		Other services	312,000	30,000
Subsidiaries and associates	KPMG	Audit, audit-related services, including tax services related to the audit	210,000	428,000
		Other services	54,000	316,000

The fees of the auditors were presented for approval by the Company's board of directors. The fee amount is determined within discussions between the Company and the auditors based, among other things, on the scope of the audit hours and the market conditions, and in the opinion of the Company's management, is reasonable and acceptable given the nature of the Company and the scope of its activities.

2.8 Events during the Report Period and after the Date of the Statement of Financial Position

For details regarding events after the balance sheet date, see Note 34 of the Consolidated Financial Statements as of December 31, 2022. In addition to the contents of Note 17 of the financial statements:

- In January 2022, May 2022, September 2022 and February 2023, Sunprime received notices regarding additional wins in a tender process carried out by the Italian Electricity Services Authority (GSE) (the "**Win Notices**"). As part of winnings, Sunprime received approvals for the construction of additional solar systems with a total capacity of 45.3 MW, 32.3 MW, approximately 31.5 MW and 12.4 MW, respectively, and at an average rate guaranteed[23] by the GSE of EUR 98.1 per megawatt hour, about EUR 90.9 per megawatt hour, about EUR 83.8 per megawatt hour and about EUR 91.8 per megawatt hour, as the case may be, for a period of 20 years. The rate determined for each system in the competitive procedure (the winning price) varies depending on the type of roof on which the system is erected (asbestos or not) and the type of system (on top of a roof or ground). For additional details, see immediate reports published by the Company on January 30, 2022 (reference no.: 2022-01-011472), and June 1, 2022 (reference no.: 2022-02-098961) which is included in this Report by way of reference.
- On March 3, 2022, Electrum Nofar entered into an agreement with Electrum regarding the transfer of Electrum's rights in a portfolio of solar projects in Poland with an estimated capacity of up to 412 MW. For additional details, see the immediate report published by the Company on March 6, 2022 (reference no.: 2022-01-022056), which is included in this Report by way of reference.
- On April 1, 2022, Olmedilla Hive S.L. entered into a PPA agreement for the sale of the electricity produced in the Olmedilla project. For additional details, see the immediate report published by the Company on April 3, 2022 (reference no.: 2022-01-035163), which is included in this Report by way of reference.

[23] The rate is guaranteed by the "contract for differences" mechanism.

- On April 27, 2022, Atlantic Green entered into an agreement to purchase the entire share capital of the corporation that holds the rights to establish the Buxton project, as a storage project with a connection agreement to the electricity grid with a total capacity of 30 megawatts, and the supply of storage capacity with an estimated capacity of approximately 60 megawatt hours, assuming use of batteries with a storage capacity of two hours[24] and consisting of two separate sub-sites. On February 21 and 22, 2023, the purchase deal was completed, Atlantic Green paid the consideration for the purchase and all shares of the project company were transferred to it. As of the Report Date, construction work on the project had begun. For additional details, see the immediate reports published by the Company on April 28, 2022 (reference no.: 2022-01-042828), and February 22, 2023 (reference no.: 2023-01-016849), which are included in this Report by way of reference.
- On May 2, 2022, Nofar Europe entered into an agreement to purchase the entire share capital of corporations engaged in the initiation of a solar project in Romania, with an estimated capacity of approximately 169 megawatts, which includes an option to purchase additional projects with a capacity of up to 231 megawatts (a total of 400 megawatts watt). For additional details, see the immediate report published by the Company on May 3, 2022 (reference no.: 2022-01-044202), which is included in this Report by way of reference. It should be noted that as of the Report Date, the aforementioned corporations received approval to connect the project to the electricity grid with a capacity of 169 megawatts.
- On July 14, 2022, Nofar Europe entered into an agreement to purchase the entire share capital of the corporation engaged in the initiation of a solar project in Romania, with an estimated capacity of approximately 255 megawatts. For details, see the immediate report published by the Company on July 17, 2022 (reference no.: 2022-01-074874), which is included in this Report by way of reference.

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[24] Based on the approvals issued at the Report Date, the provisions of the purchase agreement, the site limitations as well as the information provided to the Company as part of the due diligence, including this (the Grid Connection Offer and Planning Application). It should be emphasized that the Company's estimates for the project supplier is forward-looking information as defined in the Securities Law, 5728-1968, based on the approvals issued to the project company as of the Report Date, the regulation applicable at that time in the United Kingdom as well as the Company's estimates regarding the system suppliers that can be established on the site. The Company's estimates may not materialize due to factors beyond the Company's control, including changes in legal provisions or their interpretation, changes in market conditions, topographical limitations, etc.

- On July 22, 2022, the electrification of the Olmedilla project, a solar project in Spain with a capacity of about 169 megawatts indirectly held by the Company at a rate of 38%, was completed. The project successfully passed the acceptance tests of Eléctrica Red (the operator of the Spanish electricity grid), and the gradual flow of electricity into the grid began. As of the Report Date, the project is in trial-run stages. It is noted that as part of the running procedures of the project, during the first quarter of 2023, a technical fault occurred in the substation of the Olmedilla and Sabinar projects, which necessitated a complete stoppage of the flow of electricity to the grid. It is noted that in the Company's estimation, loss of revenue as a result of the stoppage of the flow to the grid will be covered under the warranty and obligations of the construction contractor. Therefore, in the Company's estimation, despite the expected decrease in revenues from the sale of electricity in the first quarter of the year, the aforementioned stoppage of flows is not expected to cause financial damage to the Company (since the Company is expected to receive compensation equal to the loss of revenues).[25] For additional details, see the immediate report published by the Company on July 24, 2022 (reference no.: 2022-01-077409), which is included in this Report by way of reference.
- On August 8, 2022, Sabinar HIVE S.L, a company held indirectly by the Company at a rate of 36%, holding the solar projects Sabinar I (155 MW) and Sabinar II (83 MW), entered into an agreement for the sale of approximately 2/3 of the electricity produced in the Sabinar I project at a fixed price of EUR 51 per megawatt for a period of nine years. For additional details, see the immediate report published by the Company on August 8, 2022 (reference no.: 2022-01-099826), which is included in this Report by way of reference.
- On May 30, 2022, the Company entered into a strategic cooperation agreement with Milgam Ltd., in the field of energy in the public sector and electric charging, and on August 8, 2022, the transaction was completed, including that the Company was allocated shares in Milgam Energy Ltd. (which shortly after completion was renamed Nofar Milgam Energy Ltd.). For additional details, see immediate reports published by the Company on May 31, 2022 (reference no.: 2022-01-055329), and August 9, 2022 (reference no.: 2022-01-100402) which is included in this Report by way of reference.

[25] The Company's estimates regarding the scope of the compensation expected from the EPC contractor following the cessation of the electricity supply to the grid is forward-looking information, as this term is defined in the Securities Law, 5728-1968, based on the conditions of the Construction Agreement, the performance guarantees provided by the EPC contractor, and the liquidated damages set in the Construction Agreement. However, these estimates may materialize differently from the Company's estimates, including materially, due to factors that are not necessarily under the Company's control.

- On August 18, 2022, the electrification of the Sabinal I project, a solar project in Spain with a capacity of approximately 155 megawatts, began, and a gradual flow of electricity from the project to the transmission grid began. As of the Report Date, the project is in trial-run stages. For details regarding a malfunction in the substation, see the note above. For additional details, see the immediate report published by the Company on July 21, 2022 (reference no.: 2022-01-105817), which is included in this Report by way of reference.
- On September 7, 2022, the Company completed a private placement of 317,005,000 Bonds (Series A) of the Company (above and hereinafter: the "**Bonds (Series A)**") to 13 classified investors (hereinafter: the "**Offerees**"), against payment of a total of 98.5 agorot for every NIS 1 of a Bond, for a total of NIS 312,249,925 for all the mentioned Bonds (Series A), by way of expanding the existing series of Bonds (Series A) of the Company, listed for trade on the stock exchange, in such a way that the amount of Bonds (Series A) in circulation, after the allotment, increased to NIS 717,005,000 par value. For additional details, see the immediate report published by the Company on September 7, 2022 (reference no.: 2022-01-093141), which is included in this Report by way of reference.
- On September 7, 2022, the Company published an outline for the allocation of up to 395,015 convertible options for the Company's shares to employees and officers of the Company (for details, see the outline published by the Company on September 7 and 21, 2022 (reference no. 2022-01-092988 and 2022-01-097104)), which are included herein by way of reference. On October 6, 2022, the Company allocated 135,986 options by virtue of the aforementioned outline to employees and three officers of the Company. For details, see the immediate reports published by the Company on October 11, 2022 (reference no.: 2022-01-125338, 2022-01-125335, 2022-01-125344 and 2022-01-125347), which are included in this Report by way of reference.
- On October 13, 2022, Sunprime Generation S.r.l. and Sunprime Energia Distribuita S.r.l., wholly owned subsidiaries of Sunprime, a company indirectly held by the Company at a rate of 26%[26], entered into a framework agreement to receive senior financing of up to EUR 150 million, which will be used to establish solar projects with an estimated capacity of approximately 216 MWp, under the conditions as specified in the immediate report published by the Company on October 18, 2022 and November 6, 2022 (reference no. 2022-01-102894 and 2022-01-107304), which is included in this Report by way of reference. On November 3 and 4, 2022, financial closure and first withdrawal of the loan funds were performed.

[26] Andromeda owns 55% of Sunprime's shares and the Company owns 52.5% of Andromeda's shares. In addition to Andromeda, there is an option to increase the holding rate up to 60%.

- On November 8, 2022, Nofar Europe B.V. (a corporation held by the Company at a rate of 90%) entered into an agreement to purchase the entire share capital of the corporation engaged in the initiation of a solar project in Romania, with an estimated capacity of approximately 130 megawatts located adjacent to the Iepuresti project, and intended for connection to the substation of the same project.[27] According to the provisions of the agreement, the completion of the project's acquisition will take place after it reaches "ready to build." For additional details, see the immediate report published by the Company on November 9, 2022 (reference no.: 2022-01-108339), which is included in this Report by way of reference.
- On December 7, 2022, the Company announced the extension of its shelf prospectus published on December 8, 2020, until December 13, 2023. For additional details, see the immediate report published by the Company on December 7, 2022 (reference no.: 2022-01-117609), which is included in this Report by way of reference.
- On December 26, 2022, an annual and extraordinary general meeting of the Company's shareholders was held, during which a discussion was held regarding the Company's financial statements for 2021, the re-appointments of Ofer Yannay, Yoni Tal, Yonit Partok, Zvi Levin, Moshe Bar Siman Tov, and Uri Orbach as directors of the Company, the re-appointment of the accounting firm Ziv Haft (BDO) as the Company's auditors, and the Company's board of directors was authorized to determine their remuneration, the re-appointment of Ms. Dafna Cohen as an outside director of the Company was approved, and the granting of a letter of exemption and indemnification to the directors Dafna Cohen, Gili Cohen, Yonit Partok, Zvi Levin, Moshe Bar Siman Tov, and Uri Orbach was approved for their tenure as directors of the Company. For additional details, see immediate reports published by the Company on November 16, 2022 (reference no.: 2022-01-110508), and December 27, 2022 (reference no.: 2022-01-122862), which is included in this Report by way of reference.

[27] The Company's estimates regarding the matter, the project capacity, the quality of the project and the utilization of electricity prices in Europe are forward-looking information, as this term is defined in the Securities Law, 5728-1968, which depends on factors beyond the Company's control, including the receipt of the required approvals for the establishment of the project, the final plans of the project, changes in electricity prices, etc. It should be emphasized that at this time there is no certainty regarding the final and exact delivery of the project, among other things, in light of the fact that at the Report Date, a connection permit, construction permit, etc., have not yet been received.

- On December 29, 2022, the Company entered into and completed a transaction with Noy Fund, Noy-Nofar Renewable Energies Europe, Limited Partnership ("**Noy Nofar Europe**") and the general partner of Noy Nofar Europe (the "**General Partner**") regarding the purchase of 12.5% of the rights of Noy Nofar Europe and the General Partner, and an increase to control and holdings at a rate of 52.5% of the rights of Noy Nofar Europe and in the General Partner. For additional details, see immediate report published by the Company on December 29, 2022 (reference no.: 2022-01-123948), and December 31, 2022 (reference no.: 2022-01-124926) which is included in this Report by way of reference. It is noted that following a delay in the financial closure of the Sabinar financing, the Company has not carried out the additional payment in the amount of EUR 29.34 million, and as of the Report Date, it is negotiating with the Noy Fund regarding the date of its repayment.
- On January 15, 2023, Mr. Moshe Bar Siman Tov ceased to serve as a director of the Company. For additional details, see the immediate report published by the Company on January 16, 2023 (reference no.: 2023-01-006460), which is included in this Report by way of reference.
- On February 17, 2023, Sabinar Hive, S.l., a corporation indirectly held by the Company at a rate of approximately 47%, entered into a framework agreement with a German financial body, to receive senior financing in the amount of EUR 131.97 million, for a period of up to 20 years, which will be provided in two withdrawals and will be used mainly to repay shareholder loans that were invested and will be invested for the construction of the Sabinar I and Sabinar II projects.[28] For additional details, see the immediate report published by the Company on February 19, 2023 (reference no.: 2023-01-015742), which is included in this Report by way of reference.
- On February 21, 2023, Atlantic Green completed the transaction for the purchase of the holdings in the Cellarhead project after the approval of the planning committee (Planning Consent) for the project was received. For additional details, see the immediate report published by the Company on February 22, 2023 (reference no.: 2023-01-016849), which is included in this Report by way of reference.

[28] It is emphasized that in light of the conditions precedent set forth in the condition as a condition for the execution of the financial closing and withdrawal of the loan funds, as of the Report Date, there is no certainty regarding receipt of the financing or the date of its receipt.

- On February 22, 2023, Atlantic Green entered into an agreement to purchase the entire share capital of the corporation that holds the rights to establish two storage projects with an estimated grid connection capacity of 130 megawatts, and an estimated storage capacity supply with an estimated capacity of approximately 260 megawatt hours, assuming use of batteries with a storage capacity of two hours.[29] For additional details, see the immediate report published by the Company on February 22, 2023 (reference no.: 2023-01-016849), which is included in this Report by way of reference.
- On March 14, 2023, Andromeda, a corporation indirectly held by the Company at a rate of 52.5%, entered into investment and loan agreements with Sunprime Holding, regarding the possibility of converting loans in the amount of up to EUR 22.5 million that it previously provided for Sunprime Holding shares, as well as the provision of additional convertible loans, such that after providing and converting all the aforementioned shareholder loans, if converted, Andromeda's holdings will increase to 60% of Sunprime Holding's share capital (and the Company's holdings will increase to 31.5%, indirectly[30]). For additional details, see the immediate report published by the Company on March 15, 2023 (reference no.: 2023-01-027261), which is included in this Report by way of reference.

3. Disclosure in connection with the Financial Reporting of the Corporation

3.1. State of the Company's liabilities

For details regarding the state of the corporation's liabilities based on repayment dates, see the immediate report (F.126) published near the publication date of this Report.

Ofer Yannay, Chairman of the Board of Directors	Nadav Tenne, CEO

Date: March 29, 2023

[29] Based on the approvals issued at the Report Date, the provisions of the purchase agreement, the site limitations as well as the information provided to the Company as part of the due diligence, including this (the Grid Connection Offer and Planning Application). It should be emphasized that the Company's estimates for the project supplier is forward-looking information as defined in the Securities Law, 5728-1968, based on the approvals issued to the project company as of the Report Date, the regulation applicable at that time in the United Kingdom as well as the Company's estimates regarding the system suppliers that can be established on the site. The Company's estimates may not materialize due to factors beyond the Company's control, including changes in legal provisions or their interpretation, changes in market conditions, topographical limitations, etc.

[30] The holding rate is calculated based on the multiplier method.

Appendix A - Disclosure to Bondholders

For the Securities Regulations (Periodic and Immediate Reports)	Bonds (Series A)
Issuance date	16 August 2021 and 2 September 2022
Scope of par value of bonds on the issue date	717,005,000
Balance of par value of bonds in circulation	717,005,000
Par value including linkage	758,560,300
Amount of interested accrued	---
Is this a material series?	Yes
Fair value as included in the financial statements	735,233
Stock exchange value as of December 31, 2022	699,510,078
Stock exchange value near the Report Date (March 22, 2023)	687,249,293
Nominal interest (fixed)	Fixed annual interest in the rate of 1.48%
Principal repayment date	First payment in a rate of 10% of the principal of the Bonds - on June 30, 2023; Four additional payments at a rate of 6% of the par 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; Four additional payments at a rate of 4% of the par value of the Bonds - on December 31 of 2025 and 2026 and June 30 of each of the years 2026 and 2027; An additional payment at a rate of 50% of the par value of the Bonds - on December 31, 2027.
Payment and interest dates	On June 30 and December 31 of the years 2022 to 2027
Linkage	Linked to the index of July 2021
Right to convert the Bonds	---
Right to early redemption	There is a right at the initiative of the Stock Exchange or the Company. In the case of early redemption at the Company's initiative, an amount equal to the higher of the market value (minus the liability value due in that quarter), the liability value of the bond or the cash flow capitalized according to the bond yield plus 1.5% will be paid.
Guarantee to secure the Company's liabilities according to the trust deed	---
The remaining scope of par value of bonds purchased by a subsidiary of the Company	---
The Trustee	Mishmeret Trust Services Ltd., 48 Menachem Begin Ave., Tel Aviv. Telephone: 03-6374352; Fax: 03-6374344. Contact person: CPA Rami Sabati. E-mail: office@mtrust.co.il.

For the Securities Regulations (Periodic and Immediate Reports)	Bonds (Series A)
At the end of the reporting year or during it, did the Company meet all of its obligations under the trust deed?	N/A
Are there grounds for immediate repayment of the Bonds?	No
Limitations on the creation of pledges	The Company has undertaken not to create a new general floating charge on all its assets and rights, existing or future, in favor of any third party, unless at the same time as creating the floating charge in favor of the third party, it will create a floating charge on all its assets for the benefit of the trustee, at the same level pari passu, according to the debt ratio for the bonds and towards the third party.
Additional restrictions	The Company has committed to meeting the loan covenant of equity (as this term is defined in the trust deed) which will not be less than NIS 550 million, the ratio between solo equity and the solo total net balance sheet (as these terms are defined in the trust deed) will not be less than 35% and starting in December 2023, the ratio between net consolidated financial debt and EBITDA (as these terms are defined in the trust deed) will not exceed 15. The trust deed also includes conditions for expanding the series of Bonds (as specified in Section 2.4 of the trust deed), conditions regarding the issuance of additional series of bonds (as specified in Section 2.9 of the trust deed), limitations regarding distribution (as specified in Section 4.6 of the trust deed), change of control of the Company, and an interest adjustment mechanism (as detailed in Section 6.1 in the conditions beyond the page in the first supplement to the trust deed). For additional details, see Sections 2.4, 2.9, 4.5, 4.6 of the trust deed and 6.1 in the conditions on the overleaf in the first supplement to the trust deed, which was published in an immediate report on August 16, 2021 (reference number: 2021-01-065944), which is included herein by way of reference.
General meetings and reports on behalf of the trustee	On June 21, 2022, the Company published an annual report on behalf of the trustee to the holders of Bonds (Series A) for 2021. For details, see the Company's immediate report dated June 21, 2022 (reference no.: 202101-063153), included herein by way of reference.

Part C

Consolidated Financial Statements as of December 31, 2022

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March 29, 2023

To:

The Board of Directors of O.Y. Nofar Energy Ltd. (hereinafter: the "Company")

4 Haodem Street, Yitzhar Industrial Park, Ad Halom.

To Whom It May Concern,

Re: Letter of consent provided together with the publication of a periodic report in connection with a shelf prospectus of O.Y. Nofar Energy Ltd. dated December 2020

We hereby inform you that we agree to the inclusion of our reports as set forth below (including by way of reference) in the shelf offerings that will be published by you under the shelf prospectus from December 2020:

1) The auditors' report dated March 29, 2023 regarding the consolidated financial statements of the Company as of December 31, 2022 and 2021, and for each of the three years in the period ending on December 31, 2022.

2) A report of the auditor dated March 29, 2023, on separate financial information of the Company pursuant to Article 9c of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, as of December 31, 2022 and 2021, and for each of the three years in the period ending on December 31, 2022.

3) The report of the auditor dated March 29, 2023 regarding the audit of pro-forma consolidated financial statements of profit or loss and other comprehensive income for each of the three years in the period ending on December 31, 2022.

Ziv Haft

Certified Public Accountants

Tel Aviv	Jerusalem	Haifa	Be'er Sheva	Bnei Brak	Kiryat Shmona	Petach Tikva	Modiin Illit	Nazareth Illit	Eilat
03-6386868	02-6546200	04-8680600	077-7784100/2	073-7145300	077-5054906	077-7784180	08-9744111	04-6555888	08-6339911

Main Office: Amot BDO House, 48 Menachem Begin Road, Tel Aviv, 6618001 E-mail: bdo@bdo.co.il Visit our website: www.bdo.co.il

Auditor's Report to the Shareholders of O.Y. Nofar Energy Ltd.

We have audited the consolidated statements of financial position attached of O.Y. Nofar Energy Ltd. (hereinafter: the "**Company**") as of December 31, 2022 and 2021, as well as the consolidated statements of income and other comprehensive income, changes in equity and cash flows for each of the three years ending on the period ending December 31, 2022. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion as to these financial statements based on our audit.

We have not audited the financial statements of consolidated companies whose assets included in the consolidation constitute approximately 43% and approximately 14% of all consolidated assets as of December 31, 2022 and 2021 respectively, and whose revenues included in the consolidation constitute approximately 3% of all consolidated revenues for the year that ended on December 31, 2022 and approximately 0.6% of all consolidated revenues for the period from July 1, 2021 to December 31, 2021. The financial information of the same companies was reviewed by other auditors, whose review reports were provided to us, and our opinion, inasmuch as it relates to the amounts included in respect of the same companies, is based on the review reports prepared by the other auditors. Also, the data included in the financial statements and referring to the balance sheet value of the investments and the Company's share in the business results of investee companies presented on the basis of the equity value, are based on financial statements that have been partially audited by other accountants.

We have conducted our audit in accordance with the customary auditing standards, including the standards set forth in the Accountant Regulations (Mode of Performance of an Accountant), 5733-1973. Based on these standards, we are required to plan the audit and execute it in order to obtain a reasonable degree of certainty that the financial statements do not contain a material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes a review of the accounting rules applied and the significant estimates used by the Company's board of directors and management, as well as an evaluation of the accuracy of the presentation in the financial statements generally. We believe that our audit and the other accountant reports provide a sufficient basis for our opinion.

In our opinion, based on our audit as well as the reports by the other accountants, the aforesaid consolidated financial statements reflect fairly, in all material respects, the financial state of the Company and its consolidated companies as of December 31, 2022 and 2021, and the results of their operations, the changes to equity and their cash flows for each of the three years ending on December 31, 2022, in accordance with the International Financial Reporting Standards (IFRS) and the Securities Regulations (Annual Financial Statements), 5770-2010.

Tel Aviv, March 29, 2023

Ziv Haft
Accountants

Tel Aviv	Jerusalem	Haifa	Be'er Sheva	Bnei Brak	Kiryat Shmona	Petach Tikva	Modiin Illit	Nazareth Illit	Eilat
03-6386868	02-6546200	04-8680600	077-7784100/2	073-7145300	077-5054906	077-7784180	08-9744111	04-6555888	08-6339911

Main Office: Amot BDO House, 48 Menachem Begin Road, Tel Aviv, 6618001 E-mail: bdo@bdo.co.il Visit our website: www.bdo.co.il

Consolidated Statements of Financial Position

		As of December 31	
		2022	2021(*)
	Note	NIS thousands	
Assets			
Current assets:			
Cash and cash equivalents	5	237,865	904,345
Deposits in bank corporations and others	6	498,761	161,025
Restricted use deposits		370	640
Customers	7	250,199	234,469
Accounts receivable	8	57,434	21,575
Inventory		51,680	56,619
Total current assets		**1,096,309**	**1,378,673**
Non-current assets:			
Investments in investee companies accounted for using the equity method	9	959,419	398,032
Right of use asset	10	204,662	64,119
Fixed assets	11	1,752,805	199,345
Intangible assets	12	500,852	131,111
Restricted use deposits		3,209	963
Financial derivative	33(h)	27,568	-
Deferred taxes	29	7,908	-
Other debtors - related parties	31	29,809	-
Deposits in bank corporations and others	6	35,769	5,530
Total non-current assets		**3,522,001**	**799,100**
Total assets		**4,618,310**	**2,177,773**

(*) Retrospective coordination of the temporary amounts recognized, see Note 13(2).

The notes attached constitute an integral part of the consolidated financial statements.

Consolidated Statements of Financial Position

		As of December 31	
		2022	(*) 2021
	Note	NIS thousands	
Liabilities and equity			
Current liabilities:			
Short-term loans and current maturities for long-term loans from banks	14	330,690	36,884(**)
Current maturities of lease liabilities	10	13,396	4,546
Current maturities of bonds	19	121,370	-
Suppliers and service providers	15	100,977	67,930
Liability for deferred consideration in a business combination	13	109,244	-
Accounts payable	16	58,957	18,699(**)
Financial derivatives	33(h)	4,952	1,981
Total current liabilities		**739,586**	**130,040**
Non-current liabilities:			
Long-term loans from banks	18	296,295	66,070
Liabilities for leases	10	194,822	63,566
Loan from a related party	31	21,129	18,171
Deferred taxes	29	205,109	50,545
Bonds	19	613,863	398,318
Other liabilities	20	22,887	4,190
Total non-current liabilities		**1,354,105**	**600,860**
Capital:			
Capital attributed to shareholders of the Company			
Shareholders' equity and premium	21	1,568,696	1,568,696
Loss balance		(68,533)	(225,451)
Capital reserves		117,851	49,406
Total capital attributed to shareholders of the Company		**1,618,014**	**1,392,651**
Non-controlling interests		906,605	54,222
Total capital		**2,524,619**	**1,446,873**
Total liabilities and capital		**4,618,310**	**2,177,773**

(*) Retrospective coordination of the temporary amounts recognized, see Note 13(2).

(**) Reclassified

The notes attached constitute an integral part of the consolidated financial statements.

March 29, 2023			
Date of approval of the financial statements for publication	**Ofer Yannay** **Chairman of the Board**	**Nadav Tenne** **CEO**	**Noam Fisher** **CFO**

Consolidated Statements of Profit or Loss and Other Comprehensive Profit

		For the year ending December 31		
		2022	**2021(*)**	**2020**
	Note	NIS thousands		
Revenue from sale of electricity and construction	23	324,568	360,762	214,568
Company's share in the profits (losses) of companies handled based on the equity method, net	9	9,371	(211)	(952)
Income from tax partner		7,629	-	-
Total income and profits		**341,568**	**360,551**	**213,616**
Setup and operating costs	24	322,304	327,027	181,134
Marketing and sale expenses		8,757	7,516	2,797
Management and general expenses	25	38,035	16,935	7,429
Other expenses	26	23,356	381	1,954
Total expenses		**392,452**	**351,859**	**193,314**
Other income	27	209,948	512	111
Allotment of shares and one-time bonus to officers		-	-	(281,654)
Operating profit (loss)		**159,064**	**9,204**	**(261,241)**
Financing expenses	28	52,457	23,132	5,520
Financing income	28	46,684	17,015	1,030
Financing expenses, net		**5,773**	**6,117**	**4,490**
Profit (loss) before taxes on income (tax benefit)		**153,291**	**3,087**	**(265,731)**
Income tax expenses (tax benefits)	29	4,783	(193)	(13,325)
Profit (loss) for the year		**148,508**	**3,280**	**(252,406)**
Total other comprehensive income (loss) (after tax impact):				
Amounts that will be classified or reclassified to profit or loss if specific conditions are met				
Adjustments arising from transaction of financial statements for foreign operations		62,062	(29,833)	(192)
Adjustments arising from cash flow hedging transactions		7,590	-	-
Disposal of adjustments arising from cash flow hedging transactions following obtaining control of associate company		(7,590)	-	-
Items not reclassified later to profit and loss:				
Part of other comprehensive income of corporations accounted for using the equity method		10,134	25,613	19,307
Revaluation for fixed assets		653	9,406	265
		10,787	**35,019**	**19,572**
Total other comprehensive income		**72,849**	**5,186**	**19,380**
Total comprehensive profit (loss) for the year		**221,357**	**8,466**	**(233,026)**
Profit (loss) for the year attributed to:				
Shareholders of the Company		153,746	4,383	(252,217)
Non-controlling interests		(5,238)	(1,103)	(189)
		148,508	**3,280**	**(252,406)**
Total profit (loss) for the year attributed to:				
Shareholders of the Company		219,629	9,569	(232,837)
Non-controlling interests		1,728	(1,103)	(189)
		221,357	**8,466**	**(233,026)**
Basic and diluted profit (loss) per share (in NIS) attributed to the owners of the Company	30	**4.57**	**0.16**	**(18.84)**

(*) Retrospective coordination of the temporary amounts recognized, see Note 13(2).

The notes attached constitute an integral part of the consolidated financial statements.

Consolidated Statements of Changes to Equity

For the year ended December 31, 2022

	Capital attributed to shareholders of the parent company							
	Share capital and premium	**Capital reserve for revaluation of fixed assets**	**Adjustments arising from transaction of financial statements for foreign operations**	**Capital reserve for share-based payment**	**Loss balance**	**Total capital attributed to shareholders of the Company**	**Non-controlling interests**	**Total capital**
	NIS thousands							
Balance as of January 1, 2022	**1,568,696**	**75,724**	**(30,025)**	**3,707**	**(225,451)**	**1,392,651**	**54,222**	**1,446,873**
Profit (loss) for the year	-	-	-	-	153,746	153,746	(5,238)	148,508
Other comprehensive profit (loss):								
Adjustments arising from transaction of financial statements for foreign operations	-	-	55,096	-	-	55,096	6,966	62,062
Reassessment for revaluation of fixed assets	-	653	-	-	-	653	-	653
Part of other comprehensive income of corporations accounted for using the equity method	-	10,134	-	-	-	10,134	-	10,134
Total other comprehensive income	-	10,787	55,096	-	-	65,883	6,966	72,849
Total comprehensive income for the year	-	10,787	55,096	-	153,746	219,629	1,728	221,357
Entry into consolidation	-	-	-	-	-	-	850,655	850,655
Share-based payment	-	-	-	5,734	-	5,734	-	5,734
Transfer of revaluation capital reserve for fixed assets to loss balance	-	(3,172)	-	-	3,172	-	-	-
Balance as of December 31, 2022	**1,568,696**	**83,339**	**25,071**	**9,441**	**(68,533)**	**1,618,014**	**906,605**	**2,524,619**

The notes attached constitute an integral part of the consolidated financial statements.

Consolidated Statements of Changes to Equity

For the year ended December 31, 2021

	Capital attributed to shareholders of the parent company							
	Share capital and premium	Capital reserve for revaluation of fixed assets	Adjustments arising from transaction of financial statements for foreign operations	Capital reserve for share-based payment	Loss balance	Total capital attributed to shareholders of the Company	Non-controlling interests	Total capital
	NIS thousands							
Balance as of January 1, 2021	**1,014,211**	**43,794**	**(192)**	**-**	**(232,923)**	**824,890**	**(189)**	**824,701**
Profit (loss) for the year (*)	-	-	-	-	4,383	4,383	(1,103)	3,280
Other comprehensive profit (loss):								
Adjustments arising from transaction of financial statements for foreign operations	-	-	(29,833)	-	-	(29,833)	-	(29,833)
Reassessment for revaluation of fixed assets	-	9,406	-	-	-	9,406	-	9,406
Part of other comprehensive income of corporations accounted for using the equity method	-	25,613	-	-	-	25,613	-	25,613
Total other comprehensive income (loss)	-	35,019	(29,833)	-	-	5,186	-	5,186
Total comprehensive profit (loss) for the year	-	35,019	(29,833)	-	4,383	9,569	(1,103)	8,466
Entry into consolidation	-	-	-	-	-	-	55,514	55,514
Share-based payment	-	-	-	3,707	-	3,707	-	3,707
Private issue of shares	554,485	-	-	-	-	554,485	-	554,485
Transfer of revaluation capital reserve for fixed assets to loss	-	(3,089)	-	-	3,089	-	-	-
Balance as of December 31, 2021	**1,568,696**	**75,724**	**(30,025)**	**3,707**	**(225,451)**	**1,392,651**	**54,222**	**1,446,873**

(*) Retrospective coordination of the temporary amounts recognized, see Note 13(2).

The notes attached constitute an integral part of the consolidated financial statements.

Consolidated Statements of Changes to Equity

For the year ended December 31, 2020

	Capital attributed to shareholders of the parent company						
	Share capital and premium	**Capital reserve for revaluation of fixed assets**	**Adjustments arising from transaction of financial statements for foreign operations**	**Surplus (loss balance)**	**Total capital attributed to shareholders of the Company**	**Non-controlling interests**	**Total capital**
	NIS thousands						
Balance as of January 1, 2020	1	25,051	-	18,465	43,517	-	43,517
Private issue of shares	224,680	-	-	-	224,680	-	224,680
Issue of shares to the public (less issuance expenses)	555,798	-	-	-	555,798	-	555,798
Allotment of shares to officers	233,732	-	-	-	233,732	-	233,732
Loss for the year	-	-	-	(252,217)	(252,217)	(189)	(252,406)
Other comprehensive profit (loss):							
Adjustments arising from transaction of financial statements for foreign operations	-	-	(192)	-	(192)	-	(192)
Reassessment for revaluation of fixed assets	-	265	-	-	265	-	265
Part of other comprehensive income of corporations accounted for using the equity method	-	19,307	-	-	19,307	-	19,307
Total other comprehensive income (loss)	-	19,572	(192)	-	19,380	-	19,380
Total comprehensive profit (loss)	-	19,572	(192)	(252,217)	(232,837)	(189)	(233,026)
Transfer of revaluation capital reserve for fixed assets to surplus	-	(829)	-	829	-	-	-
Balance as of December 31, 2020	1,014,211	43,794	(192)	(232,923)	824,890	(189)	824,701

The notes attached constitute an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

	For the year ending December 31		
	2022	2021(*)	2020
	NIS thousands		
Cash flow from current operations:			
Profit (loss) for the year	148,508	3,280	(252,406)
Adjustments required to present cash flows from operating activities:			
Current tax expenses	155	-	-
Depreciation and amortization	14,696	6,749	3,233
Net financing expenses	5,773	6,117	4,490
Allotment of shares to officers	-	-	233,732
Company's share in the (profits) losses of companies handled based on the equity method, net	(9,371)	211	952
Other income for tax partner	(7,629)	-	-
Profit from gaining control of an associate company	(209,885)	-	-
Capital (profit) loss	(23)	128	-
Share-based payment expenses	5,734	3,707	-
	(200,550)	**16,912**	**242,407**
Changes in sections of assets and liabilities:			
Decrease (increase) in inventory	4,939	9,064	(59,766)
Increase in customers	(165,929)	(76,986)	(114,828)
Decrease (increase) in receivables	(19,614)	10,245	(12,872)
Increase (decrease) in accounts payable	25,715	(33,949)(**)	(884)
Change in shareholders	-	-	103
Increase (decrease) in suppliers and service providers	(26,775)	(27,711)	72,997
Change in deferred taxes	4,628	(32)(**)	(13,786)
Increase (decrease) in current tax liability	-	(161)	421
	(177,036)	**(119,530)**	**(128,615)**
Income tax paid	(159)	(1,508)	-
Taxes received	4	135	1,002
Interest received in cash	7,500	-	57
Interest paid in cash	(12,878)	(2,378)	(4,644)
Net cash for current activities	**(234,611)**	**(103,089)**	**(142,199)**
Cash flows from investment activities:			
Investments in corporations accounted for using the equity method	(517,680)	(261,653)	(71,101)
Obtaining control of a consolidated company (Appendix B)	(95,350)	(16,184)	716
Exercise (deposit) of restricted use deposits	(1,800)	2,214	1,043
Deposit into deposits	(364,303)	(59,202)	(106,742)
Investments in fixed assets	(87,377)	(22,050)	(14,532)
Consideration from the exercise of fixed assets	133	1,527	16
Net cash used in investing activities	**(1,066,377)**	**(355,348)**	**(190,600)**
Cash flows from financing activities:			
Issue of shares (less issuance expenses)	-	554,485	224,680
Issue of shares to the public (less issuance expenses)	-	-	555,798
Short term credit from banks, net	260,807	(15,524)	(3,386)
Issue of bonds, net	311,673	394,421	-
Repayment of lease liabilities	(6,996)	(2,765)	(359)
Receipt of loan from affiliated party	529	5,000	11,721
Receipts from tax partner	18,908	-	-
Receipt of long term loans from bank corporations	23,544	-	26,020
Repayment of long term loans from bank corporations	(5,981)	(47,290)	(3,994)
Net cash arising from financing activities	**602,484**	**888,327**	**810,480**
Increase (decrease) in cash and cash equivalents	(698,504)	429,890	477,681
Balance of cash and cash equivalents at beginning of year	904,345	483,635	6,184
Impact of changes in foreign exchange rates for cash and cash equivalents	32,024	(9,180)	(230)
Balance of cash and cash equivalents at end of year	**237,865**	**904,345**	**483,635**

(*) Retrospective coordination of the temporary amounts recognized, see Note 13(2).

(**) Reclassified.

The notes attached constitute an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

	For the year ending December 31		
	2022	2021	2020
	NIS thousands		
Appendix A - Substantial non-cash transactions			
Initial recognition of right of use asset and lease liability	29,319	17,312	2,291
Consideration from the exercise of fixed assets	-	2,865	-
Purchase of fixed assets against supplier credit	27,660	-	-
Liability for deferred consideration	109,244	-	-
Appendix B - Obtaining control of an investee company			
Working capital, net, excluding cash and cash equivalents	(25,319)	(32,100)	751
Investment in an investee company	306,634	-	2,793
Disposal of investment in an investee company	(685,706)	-	-
Liability for deferred consideration	(109,244)	-	-
Fixed assets and intangible assets	1,744,191	235,608	13,007
Right of use asset	109,107	29,764	9,654
Related parties	29,810	(10,067)	(16,590)
Lease liability	(106,963)	(32,731)	(10,090)
Other long-term liabilities	(9,570)	(97,211)	(330)
Deferred taxes	(133,547)	(36,546)	89
Non-controlling interests	(850,655)	(58,168)	-
Short term and long term loans from bank corporations	(235,725)	-	-
Financial derivative	27,568	-	-
Goodwill	34,769	13,835	-
Limited cash	-	3,800	-
	95,350	**16,184**	**(716)**

The notes attached constitute an integral part of the consolidated financial statements.

Note 1 - General:

a. O.Y. Nofar Energy Ltd. (hereinafter: the "Company") was incorporated on April 7, 2011, as a private company, under the Companies Law. The Company is domiciled in Israel, and its registered office is located on Haodem Street in the Yitzhar Industrial Park, Ad Halom.

The Company is engaged, as of the Report Date, itself and through corporations held thereby (hereinafter: the "Group"), directly and indirectly, including in cooperation with third parties, in long-term development and investment activity of production systems of "clean" electricity from solar energy, systems for storing electricity in batteries in Israel, the USA and Europe, as well as in the construction (EPC), operation and maintenance (O&M) of photovoltaic 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. As part of the cooperation, a joint corporation was established which is held by the Company and the partner in parts, as agreed by the parties.

In addition to Israel, the Company is also an EPC contractor and maintenance contractor for most of the projects (solar projects and battery storage project and charging stations), which operates along the entire value chain of the construction of the systems, which gives the Company knowledge, experience and reputation, allowing the Company to supervise the planning, construction and maintenance of the projects and initiate projects that include the use of unique technologies (such as floating systems, storage facilities, etc.), which leaves the Company and its partners in the projects with a significant share of the profit arising from the initiation of the project, and contributes to the advancement of the systems owned by the group companies in a relatively quick period of time and to the fact that these systems are designed and maintained in an optimal and efficient manner.

b. Corona virus spread

The Group continues to operate in a full format and it estimates that it will be able to continue its regular activities in the future as well. However, there is still a degree of uncertainty regarding the risks involved in the spread of the virus, given the risk of discovering additional variants of the corona virus and the fear of the return of restrictions as a result. The Company estimates that the impact of the above on its activity is low.

c. Russia-Ukraine war

In February 2022, the Russian army invaded Ukraine, and began military operations in various areas, which led to damage to civilians and infrastructure, the displacement of the civilian population from their place of residence and the disruption of economic activity in Ukraine. As a result of the Russian invasion of the territories of Ukraine, various countries, including the USA, the UK and the EU countries, announced the imposition of significant economic sanctions against Russia (and in specific cases, against Belarus as well). The aforementioned sanctions are aimed at a number of parties at this stage, such as Russian financial institutions, gas and oil companies, public and private entities originating in Russia, individuals related to the President of Russia, the Russian Central Bank, and more.

As of the publication of the reports, the Company anticipates that the aforementioned will not have a material impact on its financial statements.

d. The development of the Company's activities in Israel and abroad

1. Spain - The Company is active in Spain through the company (Andromeda) Andromeda Solutions KFT which owns two project companies - Olmedilla Hive S.L. (Olmedilla) and Sabinar Hive S.L. (Sabinar), which are indirectly held at a rate of 50% and 47%, respectively. The Company has projects with a total capacity of approximately 407 megawatts, of which approximately 324 megawatts are connected to the electricity grid and started during the running period and the flow of electricity into the transmission grid (see also Note 17(a)(8)).

Note 1 - General (cont.):

d. The development of the Company's activities in Israel and abroad (cont.):

2. Poland - The Company is active in Poland through the company Electrum Nofar Energy, which is indirectly held at a rate of 72% and deals with the initiation, development, and holding of solar and storage systems. The Company has solar projects with an estimated capacity of approximately 589 megawatts and storage projects with an estimated capacity of approximately 1,400 megawatt hours. See also Note 17(a)(13)).

3. Romania - The Company is active in Romania through the development platform Nofar Energy SRL and the project company Ratesti Solar Plant SRL (Ratesti), which is indirectly held at a rate of 50%. The Company has projects with an estimated capacity of about 782 megawatts, of which a ground project under construction of about 155 megawatts is expected to be completed during 2023. (See also Note 17(a)(10)).

4. United Kingdom - The Company is active in the United Kingdom through the companies Noventum Power Limited (Noventum) and Atlantic Green Ltd. (Atlantic), which are held indirectly at the rates of 80% and 75%, respectively. The companies are engaged in the initiation, development, construction, financing and operation of solar projects, wind projects and storage projects. The companies have an estimated backlog of projects of about 543 megawatts and about 1,018 megawatt hours of storage capacity (see also Note 17(a)(14)).

5. Italy - The Company is active in Italy through the company Sunprime Generation SRL ("Sunprime") which is held indirectly at a rate of 26% and specializes in roof projects with high FIT rates. The Company has projects with a capacity of about 475 megawatts, of which about 47 megawatts are connected or ready to be connected. (See also Note 17(a)(7)).

6. USA - The Company is active in the USA through the company Blue Sky Utility LLC and Blue Sky Utility Holdings LLC (Blue Sky) which is indirectly held at a rate of 67% and is engaged in the initiation, development, licensing, planning, management, construction and holding of solar projects on roofs of commercial buildings and storage systems. It has a capacity of approximately 358 megawatts, of which 14.6 megawatts are connected. (See Note 17(a)(11)).

7. Israel - During the year 2022, the Company increased the scope of connected and ready-to-connect projects in Israel by approximately 62 megawatts, as well as the capacity of behind-the-meter storage systems, which are under construction and nearing construction by approximately 110.2 megawatts. In addition, during the Report Period, the Company received a license to supply electricity and entered the field of electric charging and energy in the public sector, entered into a strategic cooperation agreement with the group Milgam Ltd. regarding the establishment of a partnership that will operate in the production and sale of electricity, through renewable energies, energy storage systems and electricity supply in the public sector, and in the installation and operation of charging stations for electric vehicles. In this framework, the Company was allotted shares in the company Nofar Milgam Energy, which holds 48% of the rights in Milgam E.V. Edge, which is engaged in the establishment and management of charging stations in the public sector (see also Note 17(a)(6)(15) and (17)).

Note 1 - General (cont.):

d. The development of the Company's activities in Israel and abroad (cont.):

8. In parallel with the developments of the Company's development platforms and backlog of projects, the Company is preparing for macroeconomic changes that characterize the field of activity, which include, among other things, restrictions on electricity prices in various European countries, an increase in electricity prices, an increase in inflation, changes and increasing volatility in exchange rates, a shortage of raw materials, an increase in equipment prices and transportation, extensions during the supply and transportation periods of the purchased equipment and changes in financing costs.

   In the various countries and so on, in order to reduce, as much as possible, negative changes, while trying to take advantage of the increase in electricity prices to fix them for as long a period as possible. Naturally, the continued rise in the prices of raw materials, interest rates and inflation may harm the yield of the projects and their profitability, as follows:

a. Limits on electricity prices - on October 6, 2022, the European Union approved temporary regulations (Council Regulation (EU) No. 2022/1854) for the treatment of energy prices, within which it was determined that the member states of the European Union will establish temporary regulations with the aim of reducing electricity consumption and reducing electricity prices. Within the Council Regulation No. 2022/1854, among other things, a maximum price for electricity was proposed (EUR 180 per MWh) until the end of 2023, as well as targets for reducing the volume of consumption (a 5% decrease). In addition, it was proposed that the member states of the Union would use the surplus revenues from limiting electricity prices to support consumers affected by the increase in electricity prices and to reduce the volume of electricity consumption. Based on Council Regulation No. 2022/1854, the member states of the Union were asked to establish provisions regarding the limitation of electricity prices.

   1. Poland - In the months of October and November 2022, temporary legislation was adopted in Poland until December 31, 2023, which stipulated, among other things, that certain electricity producers would be required to transfer a certain amount of revenue from the sale of electricity to a designated fund ("the designated fund"). As part of the decision, it was determined that by this date, wind and solar electricity producers will be required to transfer the difference between the total income and a tariff of PNL 295 per MWh for wind and PNL 355 per MWh for solar to the dedicated fund. To the best of the Company’s knowledge, as of the Report Date, this limit does not apply in relation to projects that sell electricity by virtue of tender procedures (in which the limit is the amount determined in the tender procedure), projects that include financial hedging agreements (in which the limit is the average financial obligation under the agreement) and projects with a capacity of up to 1 megawatt, and so on. In addition, in relation to projects that are sold on the open market, the amount is calculated in accordance with the average price set on each trading day.

   2. Romania - In the months of September to November 2022, a number of temporary legislations designed to reduce electricity prices in Romania were approved. Within the framework of the decisions, among other things, maximum rates were set for the sale of electricity to different types of customers (such as households, hospitals, etc.). A temporary directive (Emergency Ordinance) ("GEO") was also approved, limiting electricity prices for certain electricity producers to 450 RON per MWh until March 25, 2025. It should be noted that to the best of the Company's knowledge as of the Report Date, the limit does not apply to various electricity producers, including electricity producers from renewable energy, such as the Company.

   3. Spain - In 2021 and 2022, temporary instructions in the form of the Royal Decree-Law 17/2021, 23/2021, 6/2022, 10/2022 ("Royal Decree”) were enacted, in connection with excess taxation of electricity prices in Europe, in which it was determined that in respect of revenues from the sale of electricity at a rate of EUR 67 per MWh, a tax will be deducted at a variable rate derived from the effect of natural gas-based systems on electricity prices and the maximum gas price used to calculate the tax rate. As of the Report Date, the Royal Decree is valid until December 31, 2023.

Note 1 - General (cont.):

d. The development of the Company's activities in Israel and abroad (cont.):

4. United Kingdom - In December 2022, a decision was approved regarding the application of a special tax on nuclear power producers, from biomass and waste renewable energies, which produce over 50 GWh of electricity per year. According to the proposal, in the period from January 1, 2023 to March 31, 2028, a special tax at the rate of 45% will be applied to revenues of more than GBP 10 million obtained from the sale of electricity at a rate higher than GBP 75 per MWh. The tax does not apply, among other things, to income from CfD, and income from the sale of electricity produced outside the UK.

b. Increase in inflation - The bonds that the Company issued are linked to the consumer price index. Accordingly, an increase in inflation causes an increase in the Company's financing expenses. In addition, in the Company's estimation, the increase in the inflation rate may cause an increase in the construction costs of the projects. However, over the past few months, the Company has been aware of a certain decrease in the prices of panels and converters, and the prices of marine transportation, after the price increase that characterized the years 2021-2022. In addition, some of the Company's electricity rates in Israel are linked to the consumer price index, and the Company estimates that there is a certain correlation between electricity prices on the open market and the changes in the index (both due to the fact that changes in electricity prices are one of the causes of an increase in inflation, as well as due to the fact that the factors for an increase in inflation also cause an increase in electricity prices and due to the fact that electricity prices in different countries are linked to changes in inflation).

c. Interest rate changes - During the Report Period, there was an increase in the interest rates carried by some of the loans taken by the Group companies, which are linked to the base interest rate. In addition, according to the estimates, interest rates in Israel and abroad will continue to rise during the coming year. However, to the best of the Company's knowledge, the estimates of the analysis companies around the world are that in the coming years, with the moderation of inflation and a return to growth, there will be a decrease in interest rates. Since the periods of the projects established by the Group companies are between 20 and 30 years, in the Company's estimation, considering the entire life of the projects, and the assessments of the consulting companies regarding the increase in inflation rates and electricity prices throughout the life of the project, the increase in interest rates will have an immaterial effect on the returns of the projects throughout the period of the projects (20-30 years).

Note 2 - Significant Accounting Policies:

The accounting policy set forth below was implemented in the financial statements consistently in all of the periods presented, unless stated otherwise.

a. Basis of Preparation of the Financial Statements

The financial statements are prepared in accordance with International Financial Reporting Standards (hereinafter: IFRS). Additionally, the financial statements are prepared in accordance with the provisions of the Securities Regulations (Annual Financial Statements), 5770-2010.

The financial statements are prepared on a cost basis, excluding part of the fixed asset items measured based on the revaluation model, assets and financial liabilities (including derivative instruments) presented at fair value through profit or loss, and investments in joint transactions and associates, presented based on the equity method. The financial statements are presented in New Shekels (NIS) and all amounts are rounded to the nearest thousand, unless otherwise stated.

The Company has elected to present the profit or loss details based on the nature of operations method.

b. Operating cycle period

The Company's operating cycle is up to one year.

c. Consolidated Financial Statements

The consolidated financial statements include the reports of companies over which the Company has control (subsidiaries). Control exists when a company has the power to impact an investee entity, exposure or rights to variable returns as a result of its involvement in the investee entity and the ability to use its power in order to impact the amount of yield determined from the investee entity. In examining control, the impact of potential voting rights is only taken into account if they are real. Consolidation of the financial statements is performed as of the date on which control is obtained and until the control ceases.

The financial statements of the Company and subsidiaries are prepared as of the same dates and for the same periods. The accounting policy in the financial statements of the subsidiaries were applied consistently and in a uniform manner with those applied in the financial statements of the Company. Material mutual transactions and balances and the losses arising from transactions between the Company and the subsidiaries were eliminated in full in the consolidated financial statements.

Non-controlling rights for the subsidiaries represent the equity in the subsidiaries that cannot be directly or indirectly attributed to the Parent Company. The non-controlling rights are presented separately within the capital of the Company. Profit or loss and any component of other comprehensive income are attributed to the Company and to non-controlling rights.

Changes in the holding rate in a subsidiary, which do not lead to a situation of 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 and by deducting/adding consideration paid or received.

d. Acquisition of assets

When purchasing an asset or a group of assets that do not constitute a business, the Company identifies the identifiable individual assets acquired and the liabilities assumed and acknowledges them. The total cost is allocated to the individual identifiable assets and liabilities based on their relative fair value values at the date of acquisition, transaction costs are recognized as a cost reduction. A transaction or event of this type does not create goodwill.

Note 2 - Significant Accounting Policies (cont.):

e. Investment in associates and joint transactions

Associated companies are companies in which the Company has significant influence, but not control (power to participate in decisions that does not amount to control). The investment in an associated company is presented on an equity basis. When the Company has an agreed contractual sharing of control of the arrangement, according to which decisions regarding the relevant activities of the arrangement require unanimous agreement of the parties that share control, the Company has joint control in the same arrangement. When the Company has a right to the net assets of a joint arrangement, the Company classifies the arrangement as a joint transaction. The Company handles a joint transaction using the equity method.

f. Investments accounted for using the equity method

Initial investments in associates, at the time of the establishment of the project corporations, including shareholder loans, are accounted for according to the equity method, since they form part of the partners' investments.

Under the equity method, the investment in the associate is shown at cost plus post-acquisition changes in the Company's share of net assets, including other comprehensive income of the associate. Profits and losses arising from transactions between the Company and the associate company are eliminated according to the holding rate, in the section of the Company's share in the losses of the companies accounted for according to the equity method, net.

The financial statements of the Company and associated company are prepared as of the same dates and for the same periods. The accounting policy in the financial statements of the associated companies were applied consistently and in a uniform manner with those applied in the financial statements of the Company. The equity method is applied until the time the material influence on the Company is lost or their classification as an investment held for sale. When the material influence is lost, the Company measures at fair value any remaining investment in the associate company, and recognizes in profit or loss the difference between the proceeds from the realization of the investment in the associate company and the fair value of the remaining investment and the book value of the investment realized at that time. In addition, the Company reclassifies to profit or loss a proportional part of amounts previously recognized in other comprehensive income, if these amounts were reclassified to profit or loss upon realization of the related assets or related liabilities.

g. Loans that are part of net investment in foreign activity

Loans and other financial balances of the Group vis-a-vis the foreign activity, whose settlement is not planned and which is unlikely to be settled in the foreseeable future, actually constitute part of the Company's net investment in the foreign activity. Exchange rate differences resulting from these items were recognized in other comprehensive income and accumulated in equity.

h. Functional currency, presentation currency

The functional currency is the currency that best reflects the economic environment in which the Company operates and its transactions, is determined separately for each and every company, including a company presented based on the equity method, and its financial position and the results of its operations are measured according to this currency. The financial statements of the foreign activities were translated into the presentation currency of the Company using the following procedures:

1. Assets and liabilities for each statement of financial position were translated according to the immediate exchange rate at the end of that reporting period.

2. Income and expenses for each statement of profit or loss and other comprehensive income were translated according to the average exchange rates.

3. Share capital, capital reserves and other capital transactions were translated according to the exchange rates at the time of their formation.

Note 2 - Significant Accounting Policies (cont.):

h. Functional currency, presentation currency (cont.):

4. The surplus balance is based on the opening balance for the beginning of the reporting period plus transactions translated as stated in Sections 2 and 3 above.
5. The resulting exchange rate differences were recognized in other comprehensive income and accumulated in equity.

The Company's functional currency is the shekel. The presentation currency of the financial statements is NIS.

Transactions, assets and liabilities in foreign currency

Transactions in foreign currency (a currency different from the operating currency) are recorded with the first recognition based on the exchange rate on the transaction date. After the initial recognition, financial assets and liabilities denominated in foreign currency are translated on each reporting date to the functional currency based on the exchange rate of the same date. Exchange rate differences are recognized as profit or loss.

Index-linked financial items

Financial assets and liabilities that are linked based on their terms to changes in the consumer price index in Israel (hereinafter: the "Index") are adjusted based on the relevant index on each reporting date, in accordance with the terms of the agreement.

i. Cash and cash equivalents

Cash equivalents are considered to be investments with high liquidity, including short term deposits in banks that are not limited by pledge, with original maturities of less than three months from the original investment date or more than three months but that can be withdrawn immediately with no fine, and constitute part of the cash management of the Company.

j. Shorts term deposits

Short-term deposits in banking corporations whose original period exceeds three months from the date of investment and which do not meet the definition of cash equivalent. The deposits are presented according to the terms of their deposit.

k. Inventory

Inventory is measured based on the lower of cost or net exercise value. The cost of the inventory includes the expenses for the purchase of the inventory and bringing it to its present location and condition. The net exercise value is an estimate of the sale price during the ordinary course of business, less an estimate of costs for completion and costs required to perform the sale.

l. Income recognition

Income from contracts with customers are recognized as profit or loss when the control of the asset or service is transferred to the customer. The transaction price is the consideration amount 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 income 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 major supplier when it controls a commodity or service promised prior to delivery to the customer. In these cases, the Company recognizes income in the gross amount of the consideration. In cases in which the Company operates as an agent, the Company recognizes income in a net amount, after deducting the amounts owed to the main supplier.

Note 2 - Significant Accounting Policies (cont.):

l. Income recognition (cont.):

Income from service providers are recognized over time, over the period in which the customer receives and consumes the benefit derived by the Company’s performance. The Company collects payments from its customers in accordance with the payment terms agreed upon in specific agreements, while the payments can be made before the provision of the service or after the provision of the service.

Income from execution and construction works

At the time of entering into a contract with a customer, the Company recognizes the construction work as a performance obligation. The Company recognizes income from construction contracts over time. The Company measures the progress on the basis of the costs incurred by the Company in relation to the total projected costs of the project (method based on inputs).

Contractual balances

The Company obligates customers in the event of a performance obligation in accordance with the terms of the contracts with the customers. These charges are presented under the customers section in the Statement of Financial Position. In cases where income is recognized in profit or loss in respect of the fulfillment of a performance obligation and before the customers are charged, the amounts recognized that are unconditional are presented under the Income Receivable section.

Allotment 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 sale price is the price at which the Company would have sold the goods or services promised in the contract separately.

Revenue including warranty services

Under its contracts, 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 warranty does not constitute a separate performance obligation and therefore the Company examines in its financial statements the need to recognize the provision for the warranty in accordance with the provisions of IAS 37.

m. Income tax

The tax results for ongoing or deferred taxes are charged to profit or loss, unless they are attributed to items charged to other comprehensive income or capital.

1. Current taxes

Liability for current taxes is determined through use of the tax rates and tax laws enacted or the enactment of which was actually completed, until the reporting date, and adjustments required in connection with the tax liability and payment for prior years.

Note 2 - Significant Accounting Policies (cont.):

m. Income taxes (cont.):

2. Deferred taxes

Deferred taxes are calculated for temporary differences between the carrying amounts in the financial statements and the amounts allowable for tax purposes.

Deferred tax balances are calculated at the tax rates expected to apply when the asset is realized or the liability is settled, based on tax laws that are enacted or substantively enacted by the reporting date.

At each reporting date, the deferred tax assets are examined in accordance with their utilization expectations. Transferred losses and withhold-able temporary provisions for which deferred tax assets are not recognized are examined each reporting date, and if they are expected to be used, a suitable deferred tax asset is recognized for them.

In calculating the deferred taxes, taxes are not taken into account that would apply in the case of exercise of the investment in investee companies, when the Company controls on the reversal day of the temporary difference, and as long as the sale of the investments in the investee companies is not anticipated in the foreseeable future. Additionally, deferred taxes were not taken into account for the distribution of profit by the investee companies as divided, since the distribution of dividend does not incur additional tax liability, or due to the company's policy not to initiate the distribution of dividend by the consolidated company that leads to additional tax liability. Deferred taxes are offset if there is a legal right to offset a current tax asset against current tax liabilities and the deferred taxes relate to the same taxable company and the same taxation authority.

n. Leases (International Financial Reporting Standard 16 - IFRS 16)

The Company treats the contract as a lease when in accordance with the terms of the contract a right is transferred to control an identified property for a period of time for consideration.

1. Lease transactions:

For transactions in which the Company constitutes a lessee, it recognizes at the commencement of a lease on the property a right of use against an obligation 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 decided to recognize the lease payments as an expense in profit or loss in a straight line over the lease period. As part of the measurement of the liability in respect of a lease, the Company chose to apply the relief provided in the standard and did not make a separation between lease components and non-lease components such as: management services, maintenance services, and more, included in the same transaction.

On the start date, the lease undertaking includes all of the lease payments not yet paid, capitalized at the interest rate inherent in the lease when it can be easily determined or the Company's incremental interest rate. After the commencement date, the Company measures the liability in respect of a lease using the effective interest method.

The right of use asset at the commencement date is recognized in the amount of the liability in respect of a lease plus lease payments paid on or before the commencement date and plus transaction costs incurred.

Note 2 - Significant Accounting Policies (cont.):

n. Leases (International Financial Reporting Standard 16 - IFRS 16) (cont.):

The right of use asset is measured in the cost model and reduced over its useful life, or the lease term, whichever is shorter.

The Company applies the Standard for the roofs of buildings or reservoirs, which it leases and on which it builds photovoltaic facilities, as well as for its offices and the Company's leasing vehicles.

When signs of impairment occur, the Company examines an impairment of the right of use asset in accordance with IAS 36.

2. Index-linked lease payments

At the commencement date, the Company uses the existing index rate at the commencement date for the purpose of calculating future lease payments.

In transactions in which the Company constitutes a lessee, changes in the amount of future lease payments as a result of a change in the index (without a change in the discount rate applicable to the liability in respect of lease) are capitalized to the balance of the liability for the lease and are charged as an adjustment to the balance of the right of use asset, only when a change occurs to the cash flows arising from a change in the index (in other words, when the coordination to the lease payments comes into force).

3. Variable lease payments

Variable lease payments that are based on execution or use and do not depend on the index or interest rate are recognized as an expense in transactions where the Company is a lessee and as income in transactions where the Company is a lessor, at the time of their formation.

o. Fixed assets

Fixed asset items are presented at cost (other than photovoltaic systems, which are measured based on the revaluation model) in addition to direct purchase costs, less accumulated depreciation, less losses from impairment accumulated and do not include ongoing maintenance expenses. The cost includes replacement parts and auxiliary equipment used by the fixed assets.

Components of a fixed asset item that have a significant cost in relation to the total cost of the item are depreciated separately, according to the components method.

Depreciation is calculated in equal annual rates on a straight-line basis over the useful life of the asset, as follows:

	Depreciation rate
Photovoltaic facilities	4%
Office furniture and equipment	10%
Computers	33%
Vehicles	15%

Note 2 - Significant Accounting Policies (cont.):

o. Fixed assets (cont.):

Leasehold improvements are depreciated over the shorter of the useful life of the improvement and the lease term.

The useful life, depreciation method and residual value of an asset are reviewed at least at each year-end and changes are treated as a change in an accounting estimate prospectively-forward. Amortization of assets ceases at the earlier of the date on which the asset is classified as held for sale and the date that the asset is derecognized.

The revaluation of photovoltaic systems is charged to the revaluation fund shown in capital, through other comprehensive income minus the tax impact. A revaluation fund is transferred directly to surplus when the asset is depreciated, and also during the use of the asset according to the rate of its depreciation.

Revaluations are performed regularly, once every three to five years, in order to make sure that the balance in the financial statements does not differ substantially from the value that would have been determined according to the fair value on the reporting date.

At the revaluation date, the gross book value was adjusted in a way that is consistent with the revaluation of the property.

Impairment of a revalued asset is credited directly to other comprehensive income, up to the amount where there is a credit balance in the revaluation fund for the same asset. Additional impairment, if any, is charged to profit or loss. An increase in the value of an asset as a result of revaluation is recognized in profit or loss up to the amount by which it eliminates a decrease previously recognized in profit or loss. Any further increase thereafter is credited to the revaluation fund through other comprehensive income.

p. Impairment of non-financial assets

At the end of each reporting period, the Company examines whether there are signs indicating a decline in the value of non-monetary assets (with the exception of inventory, assets arising from construction contracts, deferred tax assets), which require an examination for impairment.

For the purpose of examining the impairment of a non-goodwill asset, the Company calculated the recoverable amount of the asset. When the recoverable amount is lower than the asset's book value, the Company recognized an impairment loss and reduced the book value of the property to its recoverable amount. The Company recognized immediate impairment losses in profit or loss, unless the asset is a revalued fixed asset, according to the revaluation model, then the loss is accounted for as a reduction in the revaluation (see Note 2(n) above).

If it was not possible to estimate the recoverable amount of a single asset, the Company calculated the recoverable amount of the cash-generating unit to which the property belongs. For the purpose of examining for impairment, goodwill was assigned from the date of purchase to each of the cash-generating units that are expected to benefit from the synergy of the business combination. When the Company recognizes an impairment loss of a cash-generating unit, the Company allocates the impairment loss to a reduction in the book value of the unit's assets, first against the goodwill assigned to the unit, and then to the other assets proportionally based on their book value (subject to their recoverable amount).

Note 2 - Significant Accounting Policies (cont.):

p. Impairment of non-financial assets (cont.):

The Company evaluates at the end of each reporting period if there are signs indicating that an asset's impairment loss, which was recognized in previous reporting periods, no longer exists or has been reduced. When there are signs as mentioned, the Company calculates the recoverable amount of the asset. The Company canceled an asset's impairment loss only if there were changes in the estimates used to calculate the recoverable amount of the property from the date on which the impairment loss was most recently recognized. Reversing the impairment loss increased the asset's book value to the lower of its recoverable amount and book value that would have been determined (minus depreciation or amortization) if no impairment loss had been recognized in the previous reporting periods. Reversal of an impairment loss of a cash-generating unit was allocated to the unit's assets in proportion to their book value and treated as Similar, with the exception of goodwill, a loss due to a significant decrease in the value of goodwill in later periods.

Reversal of an impairment loss is recognized immediately in profit or loss, unless the asset is a fixed asset that has been revalued according to the revaluation model, in which case the reversal is treated as an increase in the revaluation.

q. Intangible asset

Recognition and measurement:

An intangible asset is initially recognized at cost including costs that can be directly attributed to the acquisition of the intangible asset. The cost of an intangible asset is an amount equivalent to the cash price at the time of recognition. An outlay for an intangible item, which was first recognized as an expense, will not be recognized as part of the cost of an intangible asset at a later date. An intangible asset acquired in a business combination was first recognized according to its fair value at the time of purchase.

In periods after initial recognition: an intangible asset, with the exception of an intangible asset with an indefinite useful life and with the exception of goodwill, is shown at cost less accumulated depreciation and less accumulated impairment losses; an intangible asset with an indefinite useful life is shown at cost less accumulated impairment losses and is not amortized; goodwill resulting from business combinations and the acquisition of rights in joint activities whose activities constitute a business is measured at the amount recognized at the time of acquisition, less accumulated losses from impairment.

The amortization period and the amortization method

The Company assesses for each intangible asset whether its useful life is definite or indefinite (that is, based on an analysis of all relevant factors, there is no apparent limit to the period during which the asset is expected to generate positive net cash flows for the Company). The Company examines, at the end of each financial year, whether it is possible to support the assessment that the useful life of the asset is indefinite. Changes in the Company's assessment will be treated as a change in accounting estimate.

Note 2 - Significant Accounting Policies (cont.):

q. Financial Instruments

The accounting policy that is applied:

Financial assets

Financial assets are measured at the date of first recognition at their 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 business model of the Company for management of the financial asset, and

b. Contractual cash flow characteristics of the financial asset.

The Company measures debt instruments at depreciated cost, while the Company's business model is the holding of financial assets in order to collect contractual cash flows; and the contractual terms of the financial assets provide entitlement at specified dates to cash flows 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 at amortized cost, using the effective interest method, less a provision for impairment.

Impairment of financial assets

The Company examines on each reporting date the provision for loss in respect of financial debt instruments that are not measured at fair value through profit or loss. The Company distinguishes between two situations of recognition of the provision for loss;

a. Debt instruments that have not significantly deteriorated in the quality of their credit since the date of first recognition - the provision for loss recognized for this debt instrument will take into account projected credit losses within a period of 12 months after the reporting date, or;

b. Debt instruments that have had a significant deterioration in the quality of their credit since the date of their first recognition, the provision for a loss that will be recognized will take into account projected credit losses - throughout the life of the instrument.

The Company has financial assets with short credit periods such as customers, for which it applies the lenient approach provided in the standard, i.e. the Company measures the provision for loss in an amount equal to projected credit losses throughout the life of the instrument.

Impairment in respect of debt instruments measured at a reduced cost will be recognized in profit or loss against a provision.

The Company applies the leniency established 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 time of reporting that the instrument has a low credit risk, for example when the instrument has an external rating of "investment grade".

Note 2 - Significant Accounting Policies (cont.):

q. Financial instruments (cont.):

Derecognition of financial assets

The Company derecognizes financial assets when and only when:

a. The contractual rights to the cash flows from the financial asset have expired, or

b. The Company transfers substantially all risks and benefits arising from the contractual rights to receive cash flows from the financial asset or when some of the risks and rewards on transfer of the financial asset remain with the Company but it can be said to have transferred control of the asset.

c. The Company retains the contractual rights to receive the cash flows arising from the financial asset, but assumes a contractual obligation to pay these cash flows in full to a third party, without any material delay.

Financial liabilities:

a. Financial liabilities measurements at amortized cost

At the date of first recognition, the Company measures the financial liabilities at fair value less transaction costs that can be directly attributed to the issuance of the financial liability. After initial recognition, the Company measures all financial liabilities at the reduced cost using the effective interest method.

b. Financial liability measured at fair value through profit or loss

At the date of initial recognition, the Company measures financial liabilities that are not measured at amortized cost at fair value when transaction costs are recognized in profit or loss.

After initial recognition, changes in fair value are recognized in profit or loss.

Warrants given to third parties to purchase the Company's share in associates were recognized as financial derivatives in the Company's financial statements. Financial derivatives are measured at fair value through profit or loss.

c. Derecognition of financial liabilities

The Company derecognizes a financial liability when and only when, it is cleared - that is, when the obligation defined in the contract is repaid or terminated or expires. A financial liability is cleared when the debtor repays the liability by payment 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 in the terms of an existing financial liability or the replacement of a liability with another liability with materially different terms, between the company and the same lender, the transaction is treated as a derecognition of the original liability and recognition of a new liability. The difference between the balance of both of the above liabilities in the financial statements is charged to profit or loss. In the event of a non-material change in the terms of an existing liability or the replacement of a liability with another liability with terms that do not differ materially, between the Company and the same lender, the Company updates the amount of the liability, i.e. discounting the new cash flows at the original effective interest rate, when the difference is charged to profit or loss.

Note 2 - Significant Accounting Policies (cont.):

r. Measurement of fair value

Fair value is the price that would be received in the sale of the asset or the price that would be paid for the transfer of the undertaking in an ordinary transaction between participants in the market on the measurement date.

The measurement of fair value is based on the assumption that the transaction occurs in the main market of the asset or liability, or in the absence of a main market, in the most advantageous market.

The fair value of an asset or liability is measured through use of assumptions that market participants would use when pricing the asset or liability, assuming that participants in the market operate in favor of their economic interests.

Measurement of fair value for a non-financial asset takes into account the ability of a participant in the market to produce economic benefits through the asset with its optimal use or by its sale to another participant in the market that will use the asset optimally. The Company uses valuation techniques that are suitable for the circumstances and for which there is sufficient data that can be overseen in order to measure fair value, with maximum use of the observable relevant data and the minimal use of data that is not observable.

All of the assets and liabilities measured at fair value or that can be disclosed for their fair value are divided into categories within the rating of the fair value, based on the lowest level of data that is significant to the measurement of the fair value generally:

Level 1: quoted prices (unadjusted) in an active market of same assets and liabilities.

Level 2: data that is not quoted prices included in level 1, which is observable, directly or indirectly.

Level 3: Data that is not based on observable market information (valuation techniques without use of observable market data).

s. Provisions

A provision in accordance with IAS 37 is recognized when the Company has a present obligation (legal or constructive) as a result of an event that occurred in the past, is expected to require use of financial resources in order to clear the obligation and may be measured reliably. When the Company expects that some or all of the expenses are returned to the Company, such as an insurance agreement, the return will be recognized as a separate asset only on the date on which there is practical certainty of receipt of the asset. The expenses will be recognized in the income statement net of reimbursement of the expense.

t. Sectors of activity

The Company's segmental reporting format was prepared in accordance with the way in which the information is presented to the Company's main operational decision maker.

The reports submitted to the Company's chief operational decision-maker, for the purpose of resource allocation and performance evaluation, reflect the Company's total revenues and its share of the revenues of the associates in electricity production, of all generating facilities held by the Company (directly and/or indirectly), by way of proportional consolidation, using the project EBITDA index calculated as the aggregate amount of the gross profit (revenues from electricity production minus operating and maintenance costs), according to the amounts included in the financial statements of the project corporations.

Note 2 - Significant Accounting Policies (cont.):

u. Profit (loss) per share

Profit per share is calculated by the division of the net profit attributed to the shareholder of the Company by the weighted number of ordinary shares that actually existing during the period.

v. Employee benefits

Short term employee benefits

The Company classified the benefit as a short-term employee benefit when the benefit is expected to be settled in full 12 months before the end of the annual reporting period in which the employees provide the service in question. Short-term employee benefits include salaries, convalescence fees, sick days and national insurance contributions. 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 are from the employee. When a Company has a legal or implied obligation that can be reliably assessed to provide grants to employees, the Company acknowledges this obligation at the time when the commitment arose.

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 is obligated to pay compensation to employees who are fired, or retire from their jobs, and under certain conditions to employees who resign. The Company's obligations to pay compensation to the Company's employees in accordance with Section 14 of the Severance Compensation Law and the compensation component that the Company is obligated to deposit for the benefit of the employee, accounted for 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, according to the amount to be deposited together with receipt of labor services from the employee.

w. Share based payment

The Company recognized share-based payment transactions, among other things, for the purchase of goods or services. These transactions include transactions with employees that will be settled with the Company's capital instruments, such as shares or stock options. Regarding share-based payment transactions for employees settled with equity instruments, the value of the benefit is measured at the time of grant with reference to the fair value of the equity instruments granted. The benefit value of share-based payment transactions is recognized in profit or loss, unless the expense is included in the cost of an asset, against a capital reserve over the vesting period based on the best obtainable estimate of the number of equity instruments expected to mature.

x. Hedge accounting

The Company designates certain derivative instruments as hedging instruments in fair value hedging and cash flow hedging and net investment hedging in foreign operations. At the time of creating the hedging relationship, the Company documents the hedging ratios and the purpose of risk management and the strategy for carrying out the hedging. The documentation includes identification of the hedging instrument and the hedged item, the nature of the hedged risk and the manner in which the Company examines whether the hedging relationship meets the requirements for hedging effectiveness as follows:

- There is an economic relationship between the hedged item and the hedged instrument.
- The effect of credit risk is not more dominant than the value changes resulting from this economic relationship.
- The hedge ratio of the hedging ratios is the same as the ratio resulting from the quantity of the hedged item

Note 2 - Significant Accounting Policies (cont.):

X. Hedge accounting (cont.):

that the Company actually hedges and the quantity of the hedging device that the Company actually uses to hedge said quantity of the hedged item.

- If hedge ratios cease to meet the hedging effectiveness requirement that relates to the hedge ratio, but the risk management objective for the designated hedge ratios remain unchanged, the Company rebalances: adjusting the hedge ratio of the hedge ratios so that they again meet the criteria of the effectiveness requirement.
- The Company ceases hedge accounting from here on out only when the hedge ratios ceases to meet the criteria for hedge accounting (after taking rebalancing into account), including when the hedging instrument expires or is sold, canceled or exercised.

The effective part of the changes in fair value of derivatives intended for cash flow hedging was recognized in other comprehensive income and accumulated in equity. The ineffective part of the above fair value change was recognized in profit or loss. Amounts recognized in other comprehensive income are reclassified to profit or loss as an adjustment for reclassification in the periods during which the projected cash flows that were hedged affect profit or loss, with the exception of a loss amount that is projected to not be settled in a future period which is immediately classified to profit or loss as an adjustment for reclassification. Regarding cash flow hedges of forecast transactions, which subsequently result in the recognition of a non-financial asset or a non-financial liability, amounts recognized in the cash flow hedge fund will be included directly in the initial cost of the hedged item without impact on other comprehensive income. This transfer is not an adjustment for reclassification.

y. 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, excluding 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 profit or loss.

Note 2 - Significant Accounting Policies (cont.):

z. Proactive change in accounting policy

The Company implemented a change in accounting policy regarding the presentation of the reports on profit and loss and other comprehensive income.
As part of the change, the Company presents the income from the tax partner that was previously presented as part of the other income section and the Company's share of the profits of associates according to the equity method as part of the Company's income group. In addition, the Company decided to drop the gross profit line, which does not add relevant information to the nature of the Company's activity. In the Company's opinion, the aforementioned changes adequately reflect the economic essence and the management's approach as reflected in the clarification of sectors and the way in which the Company examines its performance and which will provide a clearer presentation in line with the other renewable energy companies.

The Company applied the new accounting policy retroactively.

Note 3: - Significant considerations, estimates and assumptions in the preparation of the financial statements:

In the process of applying the main accounting policies in the financial statements, the Company used discretion and weighed the considerations regarding the following matters which have a substantial impact on the amounts recognized in the financial statements:

a. 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 substantive, the right holder must have the practical ability to exercise the right. Determining whether the rights are substantive requires discretion while taking into account the facts and circumstances. As of the date of the Company's financial statements, there are a number of investee companies at varying holding rates, for which the partner has an option to purchase shares of the investee company so that it will leave the Company at various lower holding rates. In the Company's estimation, the options are substantive because it is in the money and can be exercised immediately. Therefore, these corporations were not consolidated and treated in accordance with the equity method.

Significant effect

For the purpose of examining a significant effect 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 associates. This determination requires discretion while taking into account the facts and circumstances.

b. Estimates and assumptions

Upon the preparation of the financial statements, the management is required to use estimates and assumptions that impact the implementation of the accounting policy and the reported amounts of assets, liabilities, income and expenses. Changes to the accounting estimates are recognized in the period in which the change of the estimate took place.

The following are the main assumptions used in the financial statements in connection with the uncertainty as of the reporting date and the critical estimates calculated by the Company, and for which a substantial change to 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 mainly according to the method of discounting the unleveraged future cash flows generated from 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 material impact on the updated valuation of systems connected in previous periods, and the fair value is measured when they are connected to the grid. As material differences are discovered, the fair values 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 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 discretion, and therefore changes to assumptions used in determining the fair value may significantly affect the fair value of the fixed assets.

Note 3: - Significant considerations, estimates and assumptions in the preparation of the financial statements (cont.):

b. Estimates and assumptions (cont.)

Deferred tax assets

Deferred tax assets are recognized for losses transferred for tax purposes and for deductible temporary provisions that are not yet used, in the event that future taxable income is expected against which they may be used. An estimate of the management is required in order to determine the deferred tax asset amount that can be recognized based on the timing, expected taxable income amount, source and the tax planning strategies.

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 expected value method or the most likely amount method.

c. Exchange rates and linkage basis:

1. Balances in foreign currency, or those linked to it, are included in the financial statements according to the representative exchange rates as of the balance sheet date.
2. The balances linked to the Consumer Price Index in Israel (hereinafter - the "Index") are shown according to the last known index on the balance sheet date (Known Index) or according to the index for the last month of the reporting period (Base Index), according to the terms of the transaction.
3. Below are data on exchange rates and the index:

	December 31, 2022	December 31, 2021	December 31, 2020
Consumer price index (in points):			
Based on Base Index	108.0	102.6	99.8
Based on Known Index	107.7	102.3	99.9
US dollar (in NIS for 1 dollar)	3.5190	3.1100	3.2150
Pound sterling (in NIS for 1 pound)	4.2376	4.2031	4.3919
EUR (in NIS for 1 euro)	3.7530	3.5199	3.9441

	For year ending on		
	December 31, 2022	December 31, 2021	December 31, 2020
	%	%	%
Consumer price index:			
Based on Base Index	5.26	2.80	(0.69)
Based on Known Index	5.28	2.40	(0.60)
USD	13.15	(3.27)	(6.97)
Pound Sterling	0.82	(4.30)	(3.68)
Euro	6.62	(10.76)	1.70

Note 4 - Disclosure of new IFRS standards in period prior to their adoption:

Below is information regarding amendments to standards that have been published but have not yet entered into force, which may affect the Company's financial statements when they are first implemented. Unless stated otherwise, any amendment specified below can be implemented early, with disclosure thereof, and the Company plans to adopt it for the first time on its mandatory start date.

1. Classification of liabilities as current or non-current and non-current liabilities with financial standards - Amendments to International Accounting Standard 1 "Presentation of Financial Statements" (hereinafter collectively: "Amendments to IAS 1"):

The amendments regarding the classification of liabilities as current or non-current were published in January 2020 (hereafter: the "Amendments from January 2020") in order to clarify the classification of liabilities in the statement of financial position, as current or non-current. In addition, the amendments regarding non-current liabilities with financial benchmarks were published in October 2022 (hereinafter: the "Amendments from October 2022") with the aim of improving the information a company provides regarding liabilities arising from loan arrangements for which a company's right to postpone the settlement of liabilities at least 12 months after the reporting period is subject for the company to comply with specific conditions contained in these arrangements (hereinafter: "Financial Benchmarks") and as a response to concerns from users regarding the results of the implementation of the amendments from January 2020.

Below is an overview of the main amendments to IAS 1:

- The right to postpone the settlement of the obligation for at least 12 months after the reporting period must exist at the end of the reporting period. The company's right to postpone the settlement of the obligation arising from the loan arrangement, for at least 12 months after the reporting period, may be subject to the company meeting financial benchmarks. Such financial benchmarks:
- Will affect the question of whether this right exists at the end of the reporting period, if the company is required to meet the financial standards at the end of the reporting period or before it, even if compliance is examined after the reporting period.
- Will not affect the question of whether this right exists at the end of the reporting period, if the company is required to meet the financial standards only after the reporting period .
- The classification criterion resulting from the existence of a right to postpone settlement for at least 12 months after the reporting period is not affected by the management's intentions or expectations for the exercise of the right or the actual settlement of the obligation during the 12 months after the reporting date.
- "Settlement" for the purposes of classifying liabilities as current or non-current refers to a transfer to a counterparty that results in the cancellation of the liability which includes the transfer of cash or other economic resources such as goods or services, or of capital instruments, unless it is an obligation to transfer capital instruments resulting from a debt conversion option in equity, which is classified as an equity instrument and is recognized separately from the liability as an equity component of a complex financial instrument.
- Disclosure instructions relating to the settlement after the reporting period of liabilities classified as non-current were added, as well as information that will allow users of the financial statements to understand the risk that liabilities - arising from loan arrangements classified as non-current, when the company's right to postpone settlement of these liabilities is subject to compliance with financial benchmarks during 12 months after the reporting period - will be repayable during that period.

The amendments to IAS 1 will be applied retrospectively, starting with annual periods beginning on or after January 1, 2024.

The Company is examining the possible impact of the amendments to IAS 1 on the financial statements, but at this stage is unable to assess such an impact.

Note 4 - Disclosure of new IFRS standards in period prior to their adoption (cont.):

2. Amendment to International Accounting Standard 1 Presentation of Financial Statements - Disclosure of Accounting Policy (hereinafter: the "Amendment to IAS 1"):

The amendments to IAS 1 published in February 2021 require entities to disclose information about material accounting policies instead of significant accounting policies. In addition, guidelines and examples were added to explain and demonstrate the process of determining materiality by amending the IFRS Practice Statement 2, Making Materiality Judgments.

Below is an overview of the main amendments:

- The entity is required to disclose information about material accounting policies instead of significant accounting policies.
- It was clarified that information about accounting policies is material if, together with other information included in the financial statements, it can reasonably be expected to influence the decisions that the main users of the financial statements make on the basis of those reports.
- It was clarified that information about accounting policies related to transactions, events or other situations that are not material, is not material and does not need to be disclosed. Information about accounting policies may nevertheless be material due to the nature of the transactions, events or other related situations, even if the amounts are immaterial. Nevertheless, not all information about accounting policies related to transactions, events or other material situations is material in itself.
- It was clarified that information about accounting policies is material if users of an entity's financial statements will need it to understand other material information in the financial statements, and examples of such situations were added.
- It was clarified that information about accounting policy that focuses on how to apply the international financial reporting standards to the specific circumstances of the entity, is more relevant to the users of the financial statements than standard information, or information that copies or summarizes the requirements of the standards.
- It was clarified that if an entity gives a disclosure about an immaterial accounting policy, it must be ensured that this information does not overshadow information about a material accounting policy.
- When an entity concludes that information about accounting policies is immaterial, this does not affect related disclosures detailed in other standards.

The amendments to IAS 1 will be implemented on a rolling basis starting from the annual period beginning on January 1, 2023.

The impact of the amendments to IAS 1 is expected, if at all, on the notes to the accounting policy.

Note 4 - Disclosure of new IFRS standards in period prior to their adoption (cont.):

3. Amendment to International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates (hereinafter: "Amendments to IAS 8"):

The Amendments to IAS 8 published in February 2021 are intended to help entities distinguish between a change in accounting policy and a change in accounting estimate. Below is an overview of the main amendments to IAS 8:

- The definition of accounting estimate change was replaced by the definition of accounting estimates which are financial amounts in the financial statements whose measurement is subject to uncertainty.
- It was clarified that an entity develops accounting estimates in order to achieve the goals set in the accounting policy.
- It was clarified that an entity uses measurement techniques and data to develop an accounting estimate. Measurement techniques include estimation techniques (e.g., techniques used to measure expected credit losses) and valuation techniques (e.g., techniques used to measure the fair value of an asset or liability).
- It was clarified that the term estimate does not only refer to the definition of accounting estimates, it may also refer to the data used in the development of accounting estimates.
- It was clarified that changes in data or measurement techniques are changes in accounting estimates unless they result from the correction of errors in previous reporting periods.

The Amendments to IAS 8 will be applied to changes in accounting estimates and changes in accounting policies that will occur starting from the annual period beginning on January 1, 2023.

4. Amendments to International Accounting Standard 12 Income Taxes - Deferred tax related to assets and liabilities arising from a single transaction (hereinafter: "Amendments to IAS 12"):

The Amendments to IAS 12 published in May 2021 are intended to reduce the scope of exceptions for the recognition of deferred taxes when an asset or liability is first recognized. Below is an overview of the main amendments to IAS 12:

For exceptions to the recognition of deferred taxes arising from the initial recognition of an asset or a liability in a transaction that is not a business combination; and at the time of the transaction, does not affect the accounting profit nor does it affect the taxable income (the loss for tax purposes), an cumulative condition is added according to which it is required that during the transaction they also do not create taxable temporary differences and are deductible in the same amount. For example, at the start of a lease, the lessee generally recognizes a lease liability against the cost of a right-of-use asset. Subject to tax laws, upon first recognition of an asset and a liability, temporary differences may arise that are taxable and deductible in the same amount. In light of the amendment made, the exclusions in Sections 15 and 24 of IAS 12 do not apply to these temporary differences and the entity recognizes a deferred tax liability and asset arising from the transaction given the tax laws in each country. The Amendments to IAS 12 will be applied starting with annual periods beginning on or after January 1, 2023 or thereafter. For lease transactions and liquidation and rehabilitation liabilities and similar liabilities, starting from the beginning of the earliest comparative period presented, the Company will recognize a deferred tax asset to the extent that it is expected that there will be taxable income against which a deductible temporary difference can be utilized and in a deferred tax liability when the cumulative effect will be recognized in excess at that time (or in another component of the capital, as the case may be). For all other transactions, the amendments will be applied on a rolling basis to transactions that occurred in or after the earliest comparative period presented.

Note 4 - Disclosure of new IFRS standards in period prior to their adoption (cont.):

5. Amendments to International Financial Reporting Standard 16 Leases - Sale and Leaseback Commitments (hereinafter: "Amendments to IFRS 16"):

   The Amendments to IFRS 16 published in September 2022 are intended to exclude the accounting treatment in the subsequent measurement of a lease obligation arising from a sale and leaseback transaction in the reports of a seller-lessee from the treatment of another lease transaction.

   Below is an overview of the main amendments to IFRS 16:

   After the commencement date, the seller-lessee shall apply the requirements for subsequent measurement in the standard for the right-of-use asset resulting from the leaseback and the requirements for subsequent measurement in the standard for the lease liability resulting from the leaseback. In applying the subsequent measurement requirements in the standard to the liability, the seller-lessee will determine "lease payments" or "amended lease payments" such that the seller-lessee will not recognize any amount of profit or loss relating to the right of use remaining in the hands of the seller-lessee. Application of these requirements will not prevent the seller-lessee from recognizing any profit or loss related to the full or partial termination of a lease.

   The amendments to IFRS 16 will be applied retrospectively to sale and leaseback transactions entered into by the Company after the date of initial application of IFRS 16, beginning with annual periods starting on or after January 1, 2024.

   The Company is examining the possible impact of the amendments to IFRS 16 on the financial statements, but at this stage is unable to assess such an impact.

Note 5 - Cash and cash equivalents:

	As of December 31	
	2022	2021
	NIS thousands	
Israeli currency	31,471	162,488
In foreign currency	117,168	328,679
Deposits in Israeli currency (1)	59,519	413,178
Foreign currency deposits (2)	29,707	-
	237,865	904,345

(1) Shekel deposits at a fixed annual interest rate of 3%-3.7%.

(2) Deposits main in pound sterling currency a fixed annual interest rate of 3%.

Note 6 - Deposits from bank corporations and others:

a. Shorts term deposits:

	As of December 31	
	2022	2021
	NIS thousands	
Deposits in Israeli currency (1)	141,735	161,025
Foreign currency deposits (2)	357,026	-
	498,761	161,025

(1) Shekel deposits at a fixed annual interest rate of 3%-3.7%.

(2) Deposits main in US dollars currency a fixed annual interest rate of 5.5%.

b. Long term deposits:

	As of December 31	
	2022	2021
	NIS thousands	
Deposits in Israeli currency	343	5,530
Foreign currency deposits (1)	35,426	-
	35,769	5,530

(1) Deposits mainly in US dollars currency.

Note 7 - Customers:

	As of December 31	
	2022	2021
	NIS thousands	
Open debts	23,304	12,229
Checks for collection	-	1,007
Related parties	63,897	100,999
Doubtful debts	(285)	(246)
Income receivable (*)	163,283	120,480
	250,199	**234,469**

(*) For more details regarding balances related to related parties, see Note 31.

Note 8 - Accounts receivable:

	As of December 31	
	2022	2021(*)
	NIS thousands	
Expenses in advance	29,159	14,478
Government institutions	8	1,639
Other receivables	763	2,610
Advances to suppliers	27,504	2,848
	57,434	**21,575**

(*) Retrospective coordination of the temporary amounts recognized - see Note 13(2).

Note 9 - Investments in investee companies accounted for using the equity method:

a. Further to Note 1 above, in Israel the Company contracts with third parties (mostly kibbutzim and moshavim), in an agreement to establish a joint corporation held in agreed percentages. The Company is building photovoltaic facilities for the joint corporation. The financing of the facility is done partly by a shareholder loan and the rest by a bank loan. The income of the joint corporation is from the production of electricity.

b. Abroad, the Company operates through local partnerships held by the Company in various holding rates, as well as companies fully owned by the Company.

	As of December 31	
	2022	2021
	NIS thousands	
Opening balance	398,032	126,605
Additional investments during the year	605,274	261,653
Profit from gaining control	196,731	-
Excess cost	40,271	-
Loans given during the year (1)	365,835	-
The Company's share of profits (losses)	9,371	(211)
Obtaining control of an associate	(685,706)	-
Translation differences	16,879	(23,258)
Share in revaluation of fixed assets capital reserve (2)	12,732	33,243
	959,419	**398,032**

For the details of the corporations held by the Company as of the Report Date, see the appendix.

(1) The loans carry an annual interest rate of 6-7%.

(2) In connection with photovoltaic systems measured at fair value, the fair value is measured at the time each system is connected to the electricity grid, in accordance with the forecast of cash flows and the discount rate of 7.5% (2021- 4.8%) which is determined based on market price analysis. As of the Report Date, the Company performed a new valuation for all systems.

Note 9 - Investments in investee companies accounted for using the equity method (cont.):

c. Composition of investments:

	As of December 31	
	2022	2021
	NIS thousands	
Investments in Israel	368,325	123,300
Noy-Nofar Renewable Energies Europe, Limited Partnership	-	241,232
Ratesti Solar Plant SRL	187,101	33,500
Electrum Nofar Energy Spzoo	97,360	-
Sunprime Generation SRL	306,633	-
	959,419	**398,032**

d. Additional information regarding corporations held according to the equity method:

The following is additional information regarding the aggregate financial position and the aggregate operations of the joint ventures in Israel and abroad (without adjustment to the percentages of ownership held by the Company):

1. In the Statement of Financial Position as of the Report Date

	As of December 31	
	2022	**2021**
	NIS thousands	
Current assets	323,289	227,967
Non-current assets	2,586,286	815,235
Current liabilities	(345,643)	(171,243)
Non-current liabilities	(2,284,900)	(768,480)
Capital attributed to shareholders of the Company	(279,032)	(103,479)

2. Results of the joint ventures' operations

	For the year ending December 31		
	2022	**2021**	**2020**
	NIS thousands		
Income	138,413	91,540	42,477
Profit for the year	18,773	15,935	4,405
Comprehensive profit for the year	27,487	41,519	73,431

Note 10 - Right-of-use Asset and Liability

a. Information regard right of use assets:

	Land and roofs	Office building	Vehicles	Total
	NIS thousands			
Cost:				
Balance as of January 1, 2022	62,215	2,663	2,790	67,668
Entry into consolidation	115,258	-	-	115,258
Additions	18,618	8,910	3,029	30,557
Adjustments arising from the translation of financial statements for foreign operations	3,625	-	-	3,625
Index effect	1,037	887	574	2,498
Balance as of December 31, 2022	200,753	12,460	6,393	219,606
Accumulated depreciation:				
Balance as of January 1, 2022	2,298	651	600	3,549
Additions	2,810	1,031	1,403	5,244
Entry into consolidation	6,151	-	-	6,151
Balance as of December 31, 2022	11,259	1,682	2,003	14,944
Depreciated cost as of December 31, 2022	**189,494**	**10,778**	**4,390**	**204,662**

	Land and roofs	Office building	Vehicles	Total
	NIS thousands			
Cost:				
Balance as of January 1, 2021	21,130	2,274	-	23,404
Entry into consolidation	29,764	-	-	29,764
Additions	14,316	329	2,667	17,312
Disposals	(2,414)	-	(30)	(2,444)
Adjustments arising from the translation of financial statements for foreign operations	(1,337)	-	-	(1,337)
Index effect	756	60	153	969
Balance as of December 31, 2021	62,215	2,663	2,790	67,668
Accumulated depreciation:				
Balance as of January 1, 2021	837	340	-	1,177
Additions	1,639	311	600	2,550
Disposals	(178)	-	-	(178)
Balance as of December 31, 2021	2,298	651	600	3,549
Depreciated cost as of December 31, 2021	**59,917**	**2,012**	**2,190**	**64,119**

Note 10 - Right-of-use Asset and Liability (cont.):

b. Additional quantitative information regarding leases:

	For the year ending December 31		
	2022	2021	2020
	NIS thousands		
Interest expenses in respect of lease obligations	3,366	1,710	785
Total cash flows paid for leases	6,996	2,765	359

c. Lease liabilities:

	Land and roofs	Office building	Vehicles	Total
	NIS thousands			
Balance as of January 1, 2022	63,653	2,290	2,169	68,112
Entry into consolidation	106,963	-	-	106,963
New arrangements during the Report Period	19,579	7,748	3,029	30,356
Financing expenses	2,722	462	182	3,366
Index revaluation	1,037	887	574	2,498
Adjustments arising from the translation of financial statements for foreign operations	3,919	-	-	3,919
Payment	(3,762)	(1,352)	(1,882)	(6,996)
	194,111	10,035	4,072	208,218
Less current maturities of long-term lease liability	(9,820)	(1,561)	(2,015)	(13,396)
Balance as of December 31, 2022	**184,291**	**8,474**	**2,057**	**194,822**

Note 10 - Right-of-use Asset and Liability (cont.):

c. Lease liabilities (cont.):

	Land and roofs	Office building	Vehicles	Total
	NIS thousands			
Balance as of January 1, 2021	21,268	2,143		23,411
Entry into consolidation	32,731	-	-	32,731
New arrangements during the Report Period	14,563	364	2,668	17,595
Disposals	(2,349)	-	(30)	(2,379)
Financing expenses	1,530	125	55	1,710
Index revaluation	756	60	153	969
Adjustments arising from the translation of financial statements for foreign operations	(1,450)	-	-	(1,450)
Payment	(3,396)	(402)	(677)	(4,475)
	63,653	2,290	2,169	68,112
Less current maturities of long-term lease liability	(3,180)	(402)	(964)	(4,546)
Balance as of December 31, 2021	**60,473**	**1,888**	**1,205**	**63,566**

Note 11 - Fixed assets:

1. **Composition and movement during the year:**

	Photovoltaic systems in the USA	Photovoltaic systems in Israel	Photovoltaic systems under construction	Land systems in Europe	Other	Total
	NIS thousands					
Cost:						
Balance as of January 1, 2022	114,480	78,055	11,262	-	3,281	207,078
Entry into consolidation	-	-	-	1,435,520	-	1,435,520
Additions	71,387	13,126	28,940	-	3,434	116,887
Transfers	-	7,552	(7,552)	-	-	-
Disposals	-	-	-	-	(152)	)152)
Revaluation recognized in other comprehensive income	-	1,700	-	-	-	1,700
Adjustments arising from the translation of financial statements for foreign operations	17,976	-	-	-	-	17,976
Balance as of December 31, 2022	203,843	100,433	32,650	1,435,520	6,563	1,779,009
Accumulated depreciation:						
Balance as of January 1, 2022	1,442	5,649	-	-	642	7,733
Additions	5,026	3,509	-	-	918	9,453
Entry into consolidation	-	-	-	9,060	-	9,060
Disposals	-	-	-	-	(42)	(42)
Balance as of December 31, 2022	6,468	9,158	-	9,060	1,518	26,204
Depreciated cost as of December 31, 2022	**197,375**	**91,275**	**32,650**	**1,426,460**	**5,045**	**1,752,805**

Note 11 - Fixed assets (cont.):

1. Composition and movement during 2021 (cont.):

	Photovoltaic systems in the USA(*)	Photovoltaic systems in Israel	Photovoltaic systems under construction	Other	Total
	NIS thousands				
Cost:					
Balance as of January 1, 2021	-	56,613	13,969	1,314	71,896
Entry into consolidation	112,008	-	-	-	112,008
Additions	7,792	-	11,821	2,437	22,050
Transfers	-	14,528	(14,528)	-	-
Disposals	-	(5,049)	-	(470)	(5,519)
Revaluation recognized in other comprehensive income	-	11,963	-	-	11,963
Adjustments arising from the translation of financial statements for foreign operations	(5,320)	-	-	-	(5,320)
Balance as of December 31, 2021	114,480	78,055	11,262	3,281	207,078
Accumulated depreciation:					
Balance as of January 1, 2021	-	3,899	-	634	4,533
Additions	1,442	2,413	-	343	4,198
Disposals	-	(663)	-	(335)	(998)
Balance as of December 31, 2021	1,442	5,649	-	642	7,733
Depreciated cost as of December 31, 2021	**113,038**	**72,406**	**11,262**	**2,639**	**199,345**

(*) Retrospective coordination of the temporary amounts recognized, see Note 13(2).

2. Valuation techniques

a. The fair value of the photovoltaic systems in Israel (hereinafter: the “Systems") is determined according to the provisions of IFRS 13. For the purposes of determining the fair value, the Company uses a valuation plan provided to it by external appraisers and carried out by the Company's analysis department, while relying on and controlling external information sources, in order to determine the discount rates and risk-free interest.

b. The fair value is determined mainly according to the method of discounting the unleveraged future cash flows generated from 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 material impact on the updated valuation of systems connected in previous periods, and the fair value is measured when they are connected to the grid. As material differences are discovered, the fair values of these systems is updated, at every cut-off period.

Note 11 - Fixed assets (cont.):

2. Valuation techniques (cont.):

c. The discount rates that were used to determine the fair value of the Systems are 7.5%, 4.8%, and 4.8%-5% for the years that ended on December 31, 2022, 2021, and 2020, respectively.

d. The fair value measurement is classified as level 3 in the fair value scale.

3. Additional details:

a. The remaining photovoltaic systems in Israel, minus accumulated depreciation, if they were presented according to cost, for December 31, 2022 and 2021, is NIS 70,444 thousand and NIS 53,317 thousand, respectively.

b. The depreciation method used by the Company to depreciate the fixed assets is the straight line depreciation method.

c. Besides the photovoltaic systems owned by the Company, the Company owns many other photovoltaic systems, which are listed under the entities treated accounted for using the equity method.

d. The balance of the revaluation fund for fixed assets as of December 31, 2022 is NIS 15,502 thousand (December 31, 2021 – NIS 14,944 thousand).

4. Fixed assets under construction

During the years that ended on December 31, 2022 and on December 31, 2021, the Company completed the construction of new systems for a total amount of approximately NIS 7,552 thousand and approximately NIS 14,528 thousand, respectively.

5. For pledges and guarantees, see Note 17(b) below.

Note 12 – Intangible assets:

Composition:

	Licenses	Backlog of projects	Goodwill	Total
	NIS thousands			
Cost:				
Balance as of January 1, 2022	-	117,912	13,199	131,111
Entry into consolidation	323,116	-	34,769	357,885
Adjustments arising from the translation of financial statements for foreign operations	-	15,507	1,734	17,241
Balance as of December 31, 2022	323,116	133,419	49,702	506,237
Accumulated depreciation:				
Balance as of January 1, 2022	-	-	-	-
Entry into consolidation	5,385	-		5,385
Balance as of December 31, 2022	5,385	-	-	5,385
Depreciated cost as of December 31, 2022	**317,731**	**133,419**	**49,702**	**500,852**

In accordance with the accounting rules, the Group examined impairment for the goodwill balance created as a result of the purchase of the Blue Sky Group. An estimate of the recoverable amount was higher than the book value of the Blue Sky Group, so no provision for impairment was needed.

	Backlog of projects	Goodwill	Total
	NIS thousands		
Balance as of January 1, 2021	-	-	-
Entry into consolidation	123,600	13,835	137,435
Adjustments arising from the translation of financial statements for foreign operations	(5,688)	(636)	(6,324)
Balance as of December 31, 2021	**117,912**	**13,199**	**131,111**

Note 13 - Business combinations:

1. Noy-Nofar Renewable Energies Europe, Limited Partnership

In October, 2020, the Company was included as a partner in the Noy Nofar Renewable Energies Europe Limited Partnership (hereinafter: the "Partnership" or "Noy Nofar Europe"), through the allotment of rights to the Company at the rate of 40%.

On December 28, 2022, the Company entered into an agreement with Noy Funds regarding the purchase of an additional 12.5% of the rights in Noy Nofar Europe and the general partner, and obtaining control and holding 52.5% of the rights in the Partnership, and gained control, in exchange for a total of EUR 57.34 million, of which a total of EUR 28 million was paid on the completion date of the transaction and the balance of the consideration in the amount of EUR 29.34 million will be paid at the beginning of 2023, when the Company intends to make the payment using funds received at the financial close and the first withdrawal of the Sabinar project.

For further details, see Note 17(a)(4).

a. Consideration transferred

	Recognized value on purchase date
	NIS thousands
Composition of the consideration transferred for the business combination:	
Cash	105,084
Deferred consideration	109,244
Total consideration	**214,328**

Note 13 - Business combinations (cont.):

1. **Noy Nofar Renewable Energies Europe, Limited Partnership (cont.):**

b. Identified assets and liabilities acquired (based on amounts as detailed below):

	Recognized value on the purchase date (*)
	NIS thousands
Assets acquired and liabilities assumed:	
Cash and cash equivalents	9,734
Customers	2,703
Accounts receivable	14,523
Investment in companies accounted for using the equity method	306,634
Right of use asset	109,107
Financial derivative	27,568
Fixed assets	1,426,460
Related parties	29,810
Intangible asset	317,731
Bank loans	(235,725)
Suppliers and service providers	(36,639)
Other long-term liabilities	(9,570)
Payables	(5,906)
Lease obligations	(106,963)
Deferred tax liabilities	(133,547)
Fair value of the identified assets, net	**1,715,920**

(*) The allocation of the share purchase cost (PPA) within the framework of obtaining control of the Partnership was carried out by an independent external appraiser.

Note 13 - Business combinations (cont.):

1. Noy Nofar Renewable Energies Europe, Limited Partnership (cont.):

c. Cash flow for business combination

	As of the purchase date NIS thousands
Consideration paid in cash	105,084
Cash and cash equivalents in the Partnership as of the purchase date	(9,734)
Total net cash flow	**95,350**

d. Goodwill

Following the purchase, goodwill was recognized as detailed below:

	As of the purchase date NIS thousands
Total consideration	214,328
Fair value of the holding before obtaining control	685,706
Non-controlling interests	850,655
Less fair value of the identified assets, net	(1,715,920)
Goodwill as of purchase date	**34,769**

e. Non-controlling interests

The Partnership is not publicly traded, and the value of the minority interests in the Partnership is measured according to their share in the fair value of the net assets multiplied by the proportion of their holding in the Partnership.

Note 13 - Business combinations (cont.):

2. Acquisition of Blue Sky

In July 2021, a transaction was completed for the purchase of 67% of the rights in the Blue Sky Group, which - similar to the Company's activities in Israel - is involved in the initiation, development, licensing, planning, management, construction and holding of solar projects on the roofs of commercial buildings and storage systems in the USA. As part of the agreement, Nofar USA LLC, a partnership fully held by the Company, transferred USD 6 million to the previous shareholders of the Blue Sky Group, USD 20 million into the Blue Sky Group, as well as transferred USD 65 million for providing shareholder loans at an interest rate of 9%.

It was determined within the framework of the agreement that the minority rightsholders will be entitled to receive a bonus, subject to meeting the goals specified in the agreement and that after the full repayment of the shareholder loans that will be provided by companies controlled by the Company, a total of USD 40 million dollars from the profits that will be distributed to the shareholders in the Blue Sky Group, will be divided 50%:50% between the Company and the other shareholders of the Blue Sky Group. The purchase costs totaled approximately NIS 860 thousand and were recognized in the general and administrative expenses section of profit or loss for the period ending December 31, 2021.See also Note 17(a)(11).

a. Consideration transferred:

	Recognized value on purchase date
	NIS thousands
Composition of the consideration transferred for the business combination:	
Cash	81,500
Deferred consideration	3,260
Contingent consideration	6,807
Total consideration transferred	**91,567**

Note 13 - Business combinations (cont.):

2. Acquisition of Blue Sky (cont.):

b. Identified assets and liabilities acquired (based on amounts as detailed below):

	Recognized value on purchase date
	NIS thousands
Assets acquired and liabilities assumed:	
Cash and cash equivalents	65,316
Customers	762
Accounts receivable	4,406
Limited cash	3,800
Right of use asset	29,764
Fixed assets	112,008
Intangible asset - accumulated future projects	123,600
Bank loans	(97,211)
Payables	(37,268)
Lease obligations	(32,731)
Deferred tax liabilities	(36,546)
Fair value of the identified assets, net	**135,900**

c. Cash flow for business combination

	As of the purchase date
	NIS thousands
Consideration paid in cash and cash equivalents	81,500
Cash and cash equivalents in the Company as of the purchase date	(65,316)
Total net cash flow	**16,184**

d. Goodwill

Following the purchase, goodwill was recognized as detailed below:

	As of the purchase date
	NIS thousands
Consideration transferred	91,567
Non-controlling interests	58,168
Less fair value of the identified assets, net	(135,900)
Goodwill as of purchase date	**13,835**

Note 13 - Business combinations (cont.):

2. Acquisition of Blue Sky (cont.):

e. **Non-controlling interests**

The value of the minority interests in the Partnership, which is not publicly traded, is measured using an integrated approach according to the commercial terms with them. In the context of the first component, which allows them to enjoy excess rights in a distribution, it is estimated at fair value according to the forecasted cash flow of the Partnership until the preference is completed. The rest of the amount was estimated according to their share of the fair value of the net assets (minus the component of excess distributions in the Company) multiplied by the proportion of their holding in the Company.

f. A business combination that occurred in a previous period and was measured in previous periods in temporary amounts -
During the Report Period, the Partnership finished attributing the excess cost to the identified assets and liabilities. Accordingly, in these financial statements, the amounts have been retroactively adjusted as follows:

1. Impact on the Statement of Financial Position

	As of December 31, 2021		
	As previously reported (audited)	Impact of retroactive adjustment	As reported in these Financial Statements
	NIS thousands		
Accounts receivable	22,780	(1,205)	21,575
Fixed assets, net	200,387	(1,042)	199,345
Intangible asset	119,310	11,801	131,111
Total assets	**2,168,219**	**9,554**	**2,177,773**
Short-term loans and current maturities for long-term loans from banks	37,671	(227)	37,444
Deferred taxes	42,742	7,803	50,545
Other liabilities	5,660	(1,470)	4,190
Loss balance	(226,071)	620	(225,451)
Non-controlling interests	51,394	2,828	54,222
Total liabilities and equity	**2,168,219**	**9,554**	**2,177,773**

Note 13 - Business combinations (cont.):

2. Acquisition of Blue Sky (cont.):

2. Impact on the Income Statement and Other Comprehensive Income

	For the year ended December 31, 2021		
	As previously reported (audited)	Impact of retroactive adjustment	As reported in these Financial Statements
	NIS thousands		
Other income	960	(448)	512
Financing expenses	23,403	(271)	23,132
Financing income	17,463	(448)	17,015
Income tax expenses (tax benefit)	671	(864)	(193)
Profit for the period	3,041	239	3,280

3. Profit (loss) attributed to:

	For the year ended December 31, 2021		
	As previously reported (audited)	Impact of retroactive adjustment	As reported in these Financial Statements
	NIS thousands		
Shareholders of the Company	3,763	620	4,383
Non-controlling interests	(722)	(381)	(1,103)
	3,041	239	3,280

4. Comprehensive profit (loss) attributable to:

	For the year ended December 31, 2021		
	As previously reported (audited)	Impact of retroactive adjustment	As reported in these Financial Statements
	NIS thousands		
Shareholders of the Company	8,949	620	9,569
Non-controlling interests	(722)	(381)	(1,103)
	8,227	239	8,466

Note 13 - Business combinations (cont.):

2. Acquisition of Blue Sky (cont.):

5. Basic and diluted earnings per share attributable to the Company's owners

For the year ended December 31, 2021		
As previously reported (audited)	Impact of retroactive adjustment	As reported in these Financial Statements
NIS thousands		
0.14	0.02	0.16

Note 14 - Short-term loans and current maturities for long-term loans from banks:

a. Composition:

	As of December 31	
	2022	2021(*)
	NIS thousands	
Current maturities for long-term loans from banks	21,455	11,032
Loans from bank corporations in foreign currency (1)	285,050	-
Short term loans from bank corporations and others (2)	-	25,852
Loans from bank corporations in foreign currency presented in short term (3)	24,185	-
	330,690	**36,884**

(*) Retrospective coordination of the temporary amounts recognized, see Note 13(2).

1. A short-term dollar loan from September 30, 2022, at a fixed annual interest rate of 4.96%
2. Loans on call from banking corporations at a variable interest rate of prime+1%-1.2%
3. As of the Report Date, a consolidated company does not meet financial standards in connection with several project loans. These loans do not meet the coverage ratio of 1.1. In light of the above, the consolidated company classified these loans as short-term. The consolidated company is in the process of negotiating with the bank in favor of changing the above-mentioned financial criterion. The consolidated company is of the opinion that a settlement will be reached on the issue with the bank and the company will not be required to immediately repay the aforementioned loans. It should be noted that although the bank may, in accordance with the financing agreements, call the loans for immediate repayment, as of the date of approval of the financial statement, the bank did not demand immediate repayment of these loans.

b. Financial Criteria:

As of the date of the financial statements, the Company and the investee companies, with the exception of a consolidated company as mentioned above, meet the required standards. See also Note 17(a)(5) below.

Note 15 - Suppliers and service providers:

	As of December 31	
	2022	2021
	NIS thousands	
Open debts	89,548	51,512
Expenses payable	10,455	14,947
Checks payable	974	1,471
	100,977	**67,930**

Note 16 - Accounts payable:

	As of December 31	
	2022	2021
	NIS thousands	
Employees and institutions for wages	3,071	2,062
Provision for vacation and recreation	1,368	1,018
Liabilities to holders non-controlling interests	14,344	11,865
Institutes	9,324	-
Expenses payable (*)	23,109	-
Bond interest payable	-	2,240
Current liability to tax partner	3,815	560
Various payables	3,926	954
	58,957	**18,699**

(*) For further details, see Note 17(a)(16).

Note 17 - Contingent liabilities and commitments:

a. **Engagements**

1. Joint investment agreement with Noy Fund in Aspen Solar Ltd.

On August 4, 2020, the Company entered into an agreement with Noy Fund 2 for investment in infrastructure and energy (in this section hereinafter: "Noy Fund"), which at the time of said agreement 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 (in this section below: the "Partnership"), which will be held 65% by the Company and 35% by the Noy Fund, which will exercise an option granted to Noy Fund to purchase the remaining 51% of the holdings in Aspen Solar (in this section below: the "Option") from Aspen Group Ltd., and will also hold additional solar projects that will be transferred to the Partnership by the Company. As part of the agreement, it was determined that immediately after receiving the required approvals, Noy Fund will assign to the Partnership its rights in connection with the Option, at no consideration. On September 29, 2020, 51% of the rights in Aspen Solar Ltd. were transferred to the Partnership.

The capital financing necessary for the Partnership in order to exercise the Option and provide additional shareholder financing for Aspen Solar, as needed, at the Company's request for its share in the additional financing (as defined below), will be provided by Noy Fund to the Partnership, in a mezzanine loan linked to the index that carries interest at an effective annual rate of 8.25% accrued for the Fund every quarter (in this section below: the "Mezzanine Loan"). The Mezzanine Loan will be non-recourse, will be secured by a first-degree lien on the Partnership's holdings in Aspen Solar and an instruction to transfer the payments directly to Noy Fund, and will be repaid exclusively from the full free cash flow of the Partnership that will result from the holding in Aspen Solar (on a full cash sweep basis), prior to the repayment of the excess funding and the additional funding. Insofar as the Partnership requires additional financing (in this section above and below: the "Additional Funding"), the Partnership will work, as a first priority, to provide the Additional Funding from its internal sources (including free flow resulting from the projects held by it), and only to the extent that this is not possible, will contact its partners with a request to provide the Additional Funding, according to the ratio of their holdings in the Partnership. The Additional Funding will be provided by each partner in accordance with its share in the Partnership through a shareholder loan bearing annual interest at a minimum rate according to Section 3(j) of the Income Tax Ordinance, which will be repaid from the free cash flow of the Partnership, pari passu between the parties. To the extent that any partner does not provide its proportional share in Additional Funding, the other partners will be entitled to provide the Additional Funding in its place, as shareholder loans that will bear interest at the same rate as the Mezzanine Loan interest and will be repaid before the Additional Funding (in this section above and below: "Excess Funding"). As long as the full amount of the Additional Funding is not raised, the Partnership will be entitled to turn to raising it from third parties.

On September 9, 2020, Aspen Group Ltd. announced the exercise of the put option, and on September 29, 2020, the acquisition of the holding in 51% of Aspen Solar shares by Nofar-Noy Solar Projects was completed. The exercise of the aforementioned option was carried out through the Mezzanine Loan provided by the Noy Fund to Nofar Noy Solar Projects, in the amount of approximately NIS 42.6 million - of which a total of approximately NIS 25 million was provided as a shareholder loan to Aspen Solar and was used to pay off the shareholder loans provided by Aspen Group Ltd. to Aspen Solar, and the consideration of approximately NIS 17 million was paid to Aspen Group Ltd. against the purchase of the shares.

Note 17 - Contingent liabilities and engagements (cont.):

a. Engagements (cont.):

2. The investment agreement in the company - Noy Fund 3

On August 31, 2020, the Company and its controlling shareholder, Ofer Yannay (hereinafter: the “Controlling Shareholder") entered into a sale and investment agreement in the Company, by virtue of which Noy Fund purchased shares of the Company under the following conditions (hereinafter, respectively: the "Investment Agreement" and “Investment Transactions”):

Pursuant to the Investment Agreement, on September 10, 2020, Noy Fund purchased shares of the Company that constitute approximately 24.97% of the Company's fully diluted issued and paid-up share capital (hereinafter: the “Company’s Capital") in the framework of combined transactions and against a total of NIS 228 million, in accordance with what is set forth below:

(1) Purchase 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 in consideration for a payment of NIS 3.1 million to the Controlling Shareholder (hereinafter: the “Consideration for the Sold Shares");

(2) Allotment of the Company's shares, which constitute approximately 24.64% of the Company's Capital, in exchange for an injection of NIS 224.7 million gross into the Company (hereinafter: the “Consideration for the Allotted Shares”).

Also, a one-time payment of NIS 47.9 million was paid to three senior officers.

3. The Shareholder Agreement and Company management

At the same time as the Investment Agreement, the Controlling Shareholder and Noy Fund entered into a shareholder agreement in the Company, which came into force on September 10, 2020, and which was joined at the completion date by the officers and trustees entitled under their benefits plans (in this section below: the "Shareholders' Agreement" and the “Shareholders," as the case may be), while the agreements thereunder were anchored in the Company's articles of association.

4. Joint investment agreement with Noy Fund in Renewable Energies Europe:

In August 2020, the Company entered into an agreement with Noy Renewable Energies Europe, Limited Partnership (in this section below: the “Partnership"), 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 "Exiting General Partner") and Noy-Nofar Europe General Partner Ltd. (in this section below: the "General Partner"), regarding the addition of the Company, at no consideration, as a partner in the Partnership, through the allotment of rights to the Company, so that the Partnership and the General Partner will be held at a rate of 40% by the Company and 60% by Noy Fund (in this section below, respectively: the “Investment Agreement in Europe"; the “Limited Partners" and together with the General Partner, hereinafter: the “Partners"). The transaction was completed in October 2020, the allotment of 40% of the rights to Noy-Nofar Europe to the Company and the replacement of the General Partner were completed (in this section below: the "Completion Date").

On December 28, 2022, the Company entered into an agreement with Noy Funds, Noy-Nofar Renewable Energies Europe, Limited Partnership ("Noy Nofar Europe") and the general partner of Noy Nofar Europe (the "General Partner") regarding the purchase of 12.5% of the rights of Noy Nofar Europe and the General Partner, and an increase to control and holdings at a rate of 52.5% of the rights of Noy Nofar Europe and in the General Partner (the “Purchase Agreement”).

Note 17 - Contingent liabilities and engagements (cont.):

a. Engagements (cont.):

4. Joint investment agreement with Noy Fund in Renewable Energies Europe (continued):

As part of the Purchase Agreement, it was determined that on the Completion Date, Nofar would purchase 12.5% of the rights in Noy Nofar Europe and the general partner from the Noy Fund, in exchange for a total of EUR 57.34 million (the “Consideration”), of which a total of EUR 28 million was paid on the completion date of the transaction and the balance of the consideration in the amount of EUR 29.34 million will be paid by February 28, 2023, when the Company intends to make the payment using funds received at the financial close and the first withdrawal of the Sabinar project. At the time of completion of the transaction, among other things, a revised partners agreement was signed which regulated the manner of decision-making in the Noy Nofar Europe Partnership (the "Partners Agreement”). This agreement replaced the previously signed partners agreement and will regulate the manner of management of the General Partner.

As part of the agreement, it was determined that the Partnership will engage in the promotion, holding, financing, development, construction and operation of the Olmedilla, Sabinar, Sunprime projects, other projects for generating and storing electricity promoted by virtue of dedicated regulations in Spain (Spanish hybridization regulations) regarding the connections of the Olmedilla and Sabinar projects, as well as renewable energy projects on land located near the Olmedilla and Sabinar projects for which a lease agreement was signed (the “Additional Projects").

Shortly after the completion date, the parties will work to transfer Noy Nofar Europe's holdings in Sunprime to a dedicated partnership that will be held by the Company and the Noy Fund in equal proportions (50:50) and will be jointly managed by the Company and the Noy Fund. On the date of completion of the aforementioned split, the Noy Fund will pay Nofar the amount attributed in consideration for the purchase of 2.5% of Noy Nofar Europe's holdings in Sunprime plus 2.5% of additional investment amounts that will be made in Sunprime from the date of completion of the transaction until the date of completion of the aforementioned split, if any.

The General Partner's board of directors will appoint five members: three will be appointed by the Company and two by Noy Fund. In the event of a change in the holdings of the parties, each holding of 20% of the rights in the General Partner will confer a right to appoint one director, while the directors will have voting rights according to the holding rate of the shareholder who appointed them.

Resolutions in the General Partner will be made by a simple majority except for extraordinary resolutions as detailed below, which are subject to the unanimous consent of the authorized bodies in the General Partner: transactions with any of the Limited Partners or a party related to them, a change in the field of activity of Noy Nofar Europe or any of the investee corporations, including investment in a project other than wind or solar (including storage), a change in the capital structure of Noy Nofar Europe or the investee corporations, a change in the incorporation documents of Noy Nofar Europe, a change in the distribution policy, cessation of activity, merger, liquidation, freezing of procedures, etc. of Noy Nofar Europe or the investee corporations, as well as approval of a sale of material assets at a price lower than the value stipulated in the agreement.

Starting from the completion date of the transaction, the financing of Noy Nofar Europe's activities will be primarily from its independent sources or from financing received from a banking or financial institution without the provision of collateral. Insofar as it is not possible to obtain external financing, the financing will be provided by the partners in accordance with the provisions below: (a) regarding financing needed to complete the Olmedilla, Sabinar, and Sunprime projects (including payments under the PPA, EPC, financing agreements) as well as the development of the additional projects

Note 17 - Contingent liabilities and engagements (cont.):

a. Engagements (cont.):

4. Joint investment agreement with Noy Fund in Renewable Energies Europe (continued):

- each party will provide its share in the financing (i.e. the Company will provide 52.5% and the Noy Fund will provide 47.5%). A party that does not provide its share by the dates stipulated in the agreement will be diluted in accordance with a dilution mechanism that includes payment of penalties stipulated in the agreement; (b) Regarding financing for various purposes in the amounts and minimum EIRR stipulated in the agreement or for purposes approved by the General Partner by unanimous consent - each party will be entitled to provide its share in the financing (i.e. the Company - 52.5% and the Noy Fund - 47.5%). A party that does not provide its share by the dates in the agreement will be diluted pursuant to the dilution mechanism in the agreement; (c) With regard to financing that does not meet one of the alternatives in paragraphs (a) and (b) - Nofar may provide as a loan to the partnership at an interest rate that is the same as the yield of the project for which the financing was provided as stated, when Nofar will be entitled to the cash flow resulting from the project and bear all the exposures for that project.

Near the completion date, the parties will contact the banks that provided the Partnership with credit and bank guarantees, and request to change the rate of guarantees of the Noy Group and Nofar for the Partnership's debts to the banks, in a way that will reflect the rate of their holdings in the Partnership.

The agreement includes a dividend distribution policy, according to which all free cash flow, taking into account the financing needs of Noy Nofar Europe, will be distributed to the partners. The agreement also includes provisions regarding the right of first refusal and the right of accession in the event of the sale of Noy Nofar Europe shares by any of the parties. Also, starting with the lapse of two years from the date of entry into force of the agreement, as well as in the case of the sale of the Company's holdings in Noy Nofar Europe or in the case of a new controlling shareholder of the Company, in the event that Noy Fund decided to exercise its holdings in the Partnership and the Company does not exercise the right of first offer, the Partnership will act to sell its assets and distribute the proceeds to partners. To the best of the Company's knowledge, the purchase does not involve the payment of any tax. As for the taxation consequences of the splitting of the Sunprime activity from Noy Nofar Europe - it should be noted that at the Report Date, the consequences of the splitting are being examined by tax advisors. To the extent that the aforementioned consequences apply to any of the corporations held by Noy Nofar Europe, the Company and the Noy Fund will bear the aforementioned tax payments in equal parts.

5. Criteria

a. The Group finances the projects it owns and the projects in the associates, 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 duration of the construction period - for a period of 9 months, where the main conditions for this are: equity investment of at least 20% of the project's capital; the guarantee of shareholders in the entity; encumbrance of the equipment; and at times a floating pledge on the rights in the entity. Upon completion of the construction works, the long-term loan is extended, with the main conditions for this being: obtaining an operating permit; receiving a technical consultant's report; registration of a development insurance policy lien for the facility. Once a year, compliance with the debt coverage ratio defined as the total income from electricity production, divided by the financing expenses plus the repayments of the loan principal, is examined. If the ratio is less than 1.1, the bank has the right to call the credit for immediate payment. The Company's may fix the coverage ratio by injecting capital into the project company.

As of the date of the financial statements, except as stated in Note 14(a)(c), the Company and all the project companies meet the required standards.

b. Regarding meeting the standards of the bonds, see Note 19.

Note 17 - Contingent liabilities and engagements (cont.):

a. Engagements (cont.):

6. Initiating storage projects in Israel

As of the Report Date, the Company has completed the construction of two electricity storage systems, which to the best of the Company's knowledge are the first of their kind in Israel. In addition, the Company is promoting the construction of several additional systems for storing electricity in batteries with a total capacity of approximately 839 megawatt hours. At the same time as the establishment of the storage systems in Israel and studying the field, the Company is considering the establishment of additional storage systems around the world.

7. Sunprime

The Company is active in Italy through the company Sunprime Generation SRL ("Sunprime"), held indirectly at a rate of 26% by the Company, which specializes in roof projects and land systems.

Since the purchase of Sunprime by the Company, Sunprime has won a significant share of the capacity allocated in the last six tender procedures carried out by the Italian Electricity Services Authority (GSE), which grant the winners a guaranteed rate (Contract for Differences) in the amount of up to EUR 102 per MWh for a period of 20 years.

As of the Report Date, the Sunprime Group has a backlog of solar projects amounting to a capacity of approximately 475 megawatts, of which approximately 19.4 megawatts are connected projects and approximately 27 megawatts are ready to be connected, which were awarded in a tender process carried out by the Italian Electricity Services Authority (GSE) for receipt of a guaranteed rate for a period of 20 years in an average amount of about EUR 93.4 per megawatt. In addition, Sunprime has a goal of reaching 400 megawatt connected projects by 2025. It is also engaged in the promotion of storage projects. It should be noted that, to the best of the Company's knowledge, as of the Report Date, Sunprime is able to benefit from the high electricity prices currently prevailing in the Italian electricity market, by postponing the start date of the guaranteed tariff for a period of 18 to 30 months. During the month of April 2022, Andromeda, a company indirectly owned by the Company at a rate of 40%, exercised a call option to purchase additional shares of Sunprime, against an additional payment of EUR 10 million, which was designated as a shareholder loan by the sellers, such that after the exercise, it holds 50% of Sunprime's issued capital. At the same time, Andromeda provided another shareholder loan in the amount of EUR 10 million, to Sunprime.

During October 2022, Sunprime Generation Srl and Sunprime Energia Distribuita Srl (the "Borrowers"), together with Sunprime and the other corporations held by the Company, entered into a framework agreement to receive senior financing of up to EUR 150 million, which will be used to establish solar projects with an estimated capacity of about 216 MWp. In November 2022, the financial closing of the transaction and the first withdrawal of the loan funds was carried out.

Note 17 - Contingent liabilities and engagements (cont.):

a. Engagements (cont.):

8. Olmedilla and Sabinar projects

As part of the activity of Noy-Nofar Europe, during the month of March 2021, Andromeda entered into an agreement and completed a transaction to purchase 90% of the rights in the corporation that owns two solar projects with a total capacity of approximately 407 megawatts in Spain (the "Sabinar project") from third parties not related to the company or Noy Fund (the "Purchase Agreement" and the "Sellers"). In addition, Andromeda and the project corporation 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, SL (the "Sabinar Project Company") owns about 60% of the rights in the company Grid Hive, SL (while its remaining shares are held by Olmedilla Hive, SL which owns the Olmedilla project), which will hold the connection infrastructures to the shared electricity grid of the Olmedilla project and the Sabinar project.

The Olmedilla project is a solar project in Spain with a total capacity of approximately 169 megawatts, which is connected to the electricity grid and started during a running period and electricity flow and is held indirectly at a rate of 50% by the Company, and Sabinar 1 is a solar project in Spain with a total capacity of approximately 238 megawatts, of which 155 megawatts is connected to the electricity grid and started during the period of running and electricity flow and is held indirectly at a rate of 47% by the Company. In addition, in light of the high electricity prices in Spain, the project companies of Olmedilla and Sabinar entered into PPA agreements for periods of 3, 5 and 9 years, respectively, regarding the sale of up to 67% of the electricity produced in these projects, at a rate of between EUR 51 and 82.5 per megawatt hour, depending on the electricity power sold, the term of the agreement and the provisions of the Royal Decree. In addition, in March, Sabinar Hive entered into an agreement to receive project financing guaranteed by the full assets and rights in relation to Sabinar I and Sabinar II, in the amount of up to EUR 140 million, for a period of up to 22.5 years, with an annual interest rate of 4.6% per year, which will be repaid in biannual installments. In accordance with the provisions of the agreement, the first withdrawal will be made by July 2023 at the time of the financial closing, after the completion of the creation of collateral and the receipt of various approvals as detailed in the financing agreement. The second withdrawal will be carried out by March 2024 after the arrival of Sabinar II to commercial operation (COD) and its passing the acceptance tests as specified in the financing agreement.

9. Entering into an agreement for the purchase of electricity storage systems

During the months of March and November 2021, the Company entered into framework agreements with Tesla Motors Netherland BV, a leading battery manufacturer ("Tesla") for the purchase of systems for storing electricity in batteries with a total capacity of not less than 100 and 200 megawatt hours, respectively (the “Framework Agreement"), under the following terms:

The Company will purchase electricity storage systems from Tesla, with a total capacity of no less than 100 and 200 megawatt hours, respectively, which will be delivered to the Company in the period from February 2022 to March 2024. In consideration for the purchase of the storage systems, the Company will pay a total of about USD 84 million (subject to changes due to changes in the characteristics of the systems). Payment will be made in milestones as specified in the purchase orders.

Note 17 - Contingent liabilities and engagements (cont.):

a. Engagements (cont.):

9. Entering into an agreement for the purchase of electricity storage systems (cont.):

The Company intends to make use of the storage systems they will purchase under the Framework Agreement at its partner sites, in the project corporations that own the power generation systems in operation, construction and nearing construction, initiation and licensing.

10. Acquisition of rights in a solar project in Romania

During the month of July 2021, the company entered into an agreement together with Econergy International Ltd (Econergy) (hereinafter jointly the "Purchasers"), in an agreement to purchase a company that owns a photovoltaic project with a total capacity of approximately 155 megawatts. As part of the purchase agreement, the Company and Econergy purchased from the sole shareholder in Portland Trust Renewable 1 SRL the entire issued share capital of the project company (the Company's share is 50%). As part of the agreement, the purchasers paid the seller approximately 19 million; the bulk of the purchase amount will be attributed to the project under construction. The project is expected to connect to the electricity grid during 2023.

During 2022, the Company continued to develop the Company's initiation platform in Romania, Nofar Energy SRL BV, including recruiting local managers and building development teams. In addition, in May 2022, Nofar Europe entered into an agreement to purchase the entire share capital of corporations engaged in the initiation of the Iepuresti project in Romania, which is a solar project, with a capacity of approximately 169 megawatts and which received approval for connection to the electricity grid. In July 2022, it entered into an additional agreement for the purchase of the entire share capital of a corporation engaged in the initiation of a solar project in Romania, Corbii Mari, with an estimated capacity of approximately 256 megawatts, located in close proximity to a high voltage line that allows the direct flow of the electricity produced by the project to the high voltage line. In November 2022, it entered into an agreement for the purchase of the entire share capital of a corporation engaged in the initiation of a solar project in Romania, with an estimated capacity of approximately 130 megawatts, Ghimpati, located in close proximity to the Iepuresti project, which is intended to be connected to a substation of that project. In December 2022, the Company entered into an agreement for the purchase of the entire share capital of a corporation engaged in the initiation of a solar project in Romania with an estimated capacity of approximately 72 megawatts, Slobozia. In accordance with the provisions of the agreements entered into by Nofar Europe, the completion of the purchase agreement for each of the above projects is expected to take place after every project reaches ready to build. In addition, the project company Tatesti Solar Plan SRL (Ratesti) entered into a memorandum of principles to receive financing in the amount of up to EUR 60 million, for a period of up to 4 or 10 years and at an interest rate at an annual rate of EURIBOR for a period of 3 months plus a margin of between 3.3% and 3.9% which will be repaid in quarterly installments. It should be emphasized that at the Report Date, the due diligence of the lenders in relation to the projects had not yet been completed, a binding agreement had not yet been signed, and there is no certainty regarding the signing of said agreement. Also, in view of the early stages of the negotiations, on the Report Date, there is no certainty regarding the signing of a binding agreement, its final terms or the receipt of financing. As of the Report Date, the local platform is engaged in initiating and locating additional projects (solar and storage projects), examining the possibility of entering additional projects in Romania with capacities of hundreds of megawatts, as well as promoting the establishment of the Ratesti project and preparing for the establishment of the solar projects it entered into.

Note 17 - Contingent liabilities and engagements (cont.):

a. Engagements (cont.):

11. Acquisition of Blue Sky

In July 2021, the Company completed the acquisition of 67% of the rights in Blue Sky, which is engaged in the initiation, development, licensing, planning, management, construction and holding of solar projects on the roofs of commercial buildings and storage systems in the USA. The structure of the transaction was built to contain components supporting accelerated growth, such as a credit line for the provision of equity for the establishment of projects and bonuses to the Company’s management for meeting targets defined in the agreement. The Company's activity model focuses on setting up solar systems on the roofs of commercial centers, while selling electricity to stores in the complex at retail rates that are higher than the rates at which electricity is sold under the PPA agreements of Utility projects. As of the Report Date, Blue Sky focuses on expanding operations, while strengthening the organizational infrastructure, strengthening the collection system, increasing partnerships with REIT funds, creating new partnerships and closing agreements with tax partners. As of the Report Date, Blue Sky owns and promotes the development and construction of solar projects with a capacity of 358 megawatts which are in various stages.

12. Entering into a framework agreement with the tax partner

a. On November 30, 2021, the Blue Sky Group entered into a framework agreement with a third party, according to which the third party will serve as a tax partner in projects established by the Blue Sky Group with which the partnership has established several projects in the past. As part of the agreement, the tax partner will provide the corporation that will be held jointly by the Blue Sky Group and the tax partner ("the portfolio company") a sum of up to USD 40 million to finance the establishment of solar projects combined with storage. In the Partnership's estimation, this amount constitutes the required investment from the tax partner for the establishment of new solar projects with a total cost of USD 120 million.

b. In November 2021, purchase agreements were signed with two tax partners whose conditions were met during the Report Period. As a result, the Group recognized receipts from the tax partners against the income of the tax partner and long-term liabilities.

13. Purchase agreement for a Polish company

In October 2021 Nofar Europe BV ("Nofar Europe"), a corporation held by the Company at a rate of 90%, entered into an agreement with Electrum SP. Z OO ("Electrum"), regarding the establishment of Electrum Nofar Energy SP.ZOO (Electrum Nofar), which is held indirectly at a rate of 80% by Nofar Europe (and 72% by the Company), and is engaged in initiation, development, and the holding of solar and wind systems with a capacity of up to 1,250 MW in Poland, and in March 2022, Electrum transferred to Electrum Nofar projects with an estimated capacity of up to 589 MW and storage projects with an estimated capacity of about 1,400 MWh in Poland. In addition, as of the Report Date, Electrum Nofar is engaged in initiating additional projects in Poland with a capacity of hundreds of megawatts. During the Report Period, one of Electrum's Nofar project companies entered into EPC and O&M agreements with Electrum regarding the establishment and maintenance of the Krzywinskie project and, as of the Report Date, is conducting negotiations regarding the Dziewoklucz project. During the Report Period, Nofar Europe announced the extension of the deadline for completing the Thumos transaction by 12 months.

Note 17 - Contingent liabilities and engagements (cont.):

a. Engagements (cont.):

14. Establishment of a development platform in the UK and acquisition of rights in a battery electricity storage project

During 2022, the Company continued to develop the platform Atlantic Green UK Limited ("Atlantic Green"), a company that is 75% held by the Company, which is engaged in the initiation, promotion, establishment and holding of battery storage systems in the United Kingdom. Atlantic Green is continuing evaluations for the construction of the Cellarhead project (which has an estimated storage capacity of approximately 698 megawatt hours). In addition, in April 2022, Atlantic Green entered into an agreement to purchase the entire share capital of the corporation that holds the rights to establish the Buxton project, as a storage project with a connection agreement to the electricity grid with a total capacity of 30 megawatts, and the supply of storage capacity with an estimated capacity of approximately 60 megawatt hours, assuming use of batteries with a storage capacity of two hours. After the balance sheet date, Atlantic Green completed the acquisition of the Cellarhead and Buxton project companies. In addition, as of the Report Date, Atlantic Green is engaged in the establishment of the Buxton project and is preparing for the establishment of the Cellarhead project. In addition, the development platform of the Company in the UK, Noventum Power Limited (Noventum), a corporation indirectly held at a rate of 80% by the Company and which is engaged in initiating and locating solar projects and projects UK wind, is at various stages of development. As of the Report Date, Noventum has accumulated projects in preliminary development stages totaling approximately 543 megawatts.

15. Electricity supplier license

In March 2022, the Company received an electricity supply license from the Ministry of Energy. 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 Companies to private electricity consumers.

In June 2022, Nofar Energy Electricity Supply Limited Partnership (hereinafter: “Nofar Electricity Supply") began supplying electricity to a number of customers in Israel.

16. Competitive procedures

During the Report Period, the Company paid the Electricity Authority a total of about NIS 8.1 million for projects established by virtue of competitive procedures that the Company won. The payment was made, according to the Company's assessment, by way of forfeiture of guarantees that were provided by the Company. As of the Report Date, the Company anticipates that it will incur additional forfeitures in the amount of an additional NIS 13.9 million, which the Company estimates are expected to be paid by forfeiting additional guarantees. It should be noted that due to the high rates set in these competitive procedures (in particular compared to the rates set in later competitive procedures) as well as the amounts paid, the aforementioned payment has an immaterial effect on the project's returns. The loss from the aforementioned forfeiture in the amount of NIS 22 million is recorded in the other expenses section of the profit and loss statement for the period.

Note 17 - Contingent liabilities and engagements (cont.):

a. Engagements (cont.):

17. Cooperation with the Milgam Group

During the month of May 2022, the Company entered into a strategic cooperation agreement with the Milgam Group Ltd. ("Milgam") regarding the establishment of a partnership that will be held at a rate of 50% by the Company and will operate in the production and sale of electricity, through renewable energies, an energy storage system and electricity supply in the public sector ("Energy Activity in the Public Sector") as well as installing and operating charging stations for electric vehicles ("Charging Station Activity", "Cooperation Agreement" and “Nofar Milgam Partnership").

To the best of the Company's knowledge, Milgam specializes in providing comprehensive and advanced services to municipalities, municipal bodies, water corporations, government bodies, public and private companies. Also, to the best of the Company's knowledge, Milgam, through Milgam Energy Ltd., a wholly owned subsidiary, owns 48% of the rights in Milgam EV Edge, Limited Partnership ("Milgam Energy" and "Milgam Edge EV", respectively), which deals in the field of charging in the public sector and is also the controlling owner of the company that owns the 'Pango' application, which to the best of the Company's knowledge is the largest provider of mobile parking payment services in Israel.

In August 2022, the transaction was completed and accordingly the Company invested an amount of approximately NIS 63.3 million, and this against the issuance of shares in Milgam Energy Ltd. (which shortly after the completion was renamed Nofar Milgam Ltd.), which will be used to finance the joint activity in the energy sector and the charging stations (the “Initial Investment Amount"). After using the Initial Investment Amount, each of the parties will provide their share for the financing that will be required for Nofar Milgam Partnerships.

b. Guarantees and encumbrances

1. As of December 31, 2022, most of the rights in the Company's assets are pledged in fixed liens in favor 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 liens and floating liens, as the case may be.

2. Most of the lien documents in favor of the banks include restrictions on change of control/ownership in the developer, and in some cases, also include guarantee of the developer (including the Company).

Note 18 - Long-term loans from banks:

a. Composition:

		As of December 31	
		2022	2021
	Interest Rate	NIS thousands	
	%		
Loans with variable interest in new shekels	Prime + 0.5	27,731	24,087
Fixed interest loans in foreign currency	6-7	54,295	53,015
Variable interest loans in foreign currency	Libor + 2-2.75	235,724	-
Minus current liabilities for loans		(21,455)	(11,032)
		296,295	**66,070**

b. The repayment dates of the loans in the financial statements are as follows:

	As of December 31	
	2022	2021
	NIS thousands	
First year	21,455	11,032
Second year	24,409	5,319
Second year	24,883	7,296
Fourth year	25,243	8,646
Fifth year	28,687	4,423
Sixth year and beyond	193,073	40,386
	317,750	**77,102**

Note 19 – Bonds:

a. Composition:

	As of December 31	
	2022	2021
	NIS thousands	
Non-current liability for the bonds	735,233	398,318
Less current liabilities of the bonds	(121,370)	-
	613,863	**398,318**

b. Series A Bonds (hereinafter: the "Bonds")

In August 2021, the Company made a public offering and listing for trade of NIS 400 million par value Bonds (Series A). The Bonds (Series A), NIS 1 par value each, which are payable (principal) in ten biannual index-linked payments, with the first payment, at a rate of 10% of the Bond principal, to be paid on June 30, 2023, four additional payments will be made on December 31 of each of the years 2023 and 2024 and on June 30 of each of the years 2024 and 2025, such that each of the aforementioned four payments will constitute 6% of the nominal value of the Bonds, four additional payments will be made on December 31, 2025 and 2026 and June 30 of each of the years 2026 and 2027, such that each of the aforementioned four payments will be 4% of the nominal value of the Bonds, and an additional payment that will be made on December 31, 2027 and will be 50% of the nominal value of the Bonds.

On September 7, 2022, the Company completed a private placement of 317,005,000 Bonds (Series A) of the Company par value NIS 1 each, listed for trade, to 13 classified investors (hereinafter: the "Offerees"), at a price of 98.5 agorot for every NIS 1 of a Bond, for a total of NIS 312,249,925 for all the mentioned Bonds (Series A), by way of expanding the existing series of Bonds (Series A) of the Company, listed for trade on the stock exchange, in such a way that the amount of Bonds (Series A) that will be in circulation, after the allotment, will amount to NIS 717,005,000 par value.

The unsettled balance of the Bond principal, as it will be from time to time, will bear 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), when the last payment of the interest will be paid together with the last repayment of the principal on December 31, 2027.

Main financial conditions regarding the Bonds (series A)

1. Equity (as this term is defined in the trust deed), which will not be less than NIS 550 million.
2. The ratio between solo equity and the total solo net balance (as these terms are defined in the trust deed) will not be less than 35%.
3. As of December 2023, the ratio between consolidated net financial debt and EBITDA (as these terms are defined in the trust deed) will not exceed 15.

As of the Report Date, the Company meets the required financial conditions.

Note 20 – Other liabilities:

	As of December 31	
	2022	2021
	NIS thousands	
Tax partner(*)	11,433	4,190
Liability for elimination and disposal(**)	9,570	-
Other	1,884	-
	22,887	**4,190**

(*) For more details, see Note 17(a)(12).

(**) A consolidated corporation of the company (Olmedilla) entered into a lease agreement for a period of 30 years for the purpose of establishing land solar systems in Spain. In accordance with the lease agreement, at the end of the contract whether due to the end of the lease period or due to a decision to terminate the lease, the corporation must dismantle the facilities located on the property in order to return it to the condition in which it was received so that it is suitable for use before the installation of the systems.

Note 21 - Capital:

a. Below is the composition of the share capital:

	As of December 31, 2022 and 2021	
	Registered	Issued and paid up
Ordinary shares at no par value each	50,000,000	33,647,857

The shares give the holder the right to participate in the general meetings, to receive a share of the Company's profits upon their distribution, and to receive a share of the Company's surplus upon liquidation.

b. On September 10, 2020, 51,466 shares were allotted to Company officers and 49,534 shares were allotted according to an investment agreement to the Noy Fund.

c. During the month of December 2020, the Company completed the issue of its shares to the public. As part of the offering, 5,802,950 shares at no par value were offered to the public, which were issued by the Company for a net total of NIS 556 million.

d. Splitting share capital, cancellation of par value and reduction of registered capital

1. On August 19, 2020, a split was carried out in the existing registered share capital of the Company (a share split) in a ratio of 1:100, such that after the change, the registered share capital of the Company was set at a total of NIS 50,000 divided into 5,000,000 ordinary shares of the Company of 0.01 NIS par value each, and the issued and paid-up capital is 100,000 shares of NIS 0.01 par value each.
2. During the month of December 2020, with the completion of the issue of shares to the public, the Company performed the following actions:
   a. A split in the existing registered share capital of the Company (share split) in such a way that each ordinary share of NIS 0.01 par value of the Company will become 100 ordinary shares of NIS 0.0001 par value each. In other words, the registered share capital of the Company will become 500,000,000 ordinary shares par value NIS 0.0001 each, and the issued and paid-up share capital of the Company will become 20,100,000 ordinary shares of NIS 0.0001 par value each.
   b. The cancellation of the par value of the Company's shares and the amending of the Company's incorporation documents accordingly, so that the registered, issued and paid-up capital of the Company will consist of ordinary shares at no par value.
   c. Reducing 450,000,000 ordinary shares at no par value from the registered share capital of the Company, that is, the registered share capital of the Company will become 50,000,000 ordinary shares at no par value.

Note 21 - Capital (cont.):

E. Private placement of the Company's shares

On October 13, 2021, the Company's board of directors approved a private placement of 7,744,907 ordinary shares at no par value of the Company (the “Offered Shares"), to a number of investors who are members of the Altshuler Shaham Pension and Provident Group Ltd., the Phoenix Insurance Company Ltd., Y.D. More Investment House Ltd., Migdal Insurance and Finance Holdings Ltd., and Safra Fund and Hatzavim Fund, against payment of consideration in the amount of NIS 71.66 per share, for a total of NIS 555 million.

The Offered Shares constitute about 29.9% of the rights in the Company's capital before the allotment of the Offered Shares, about 37.31% of the voting rights in the Company before the allotment of the Offered Shares, about 28.85% of the capital rights in the Company in full dilution (that is, assuming the allotment and conversion of the options subject to the description published by the Company on July 22, 2021 "Full dilution assumption") before the allotment of the Offered Shares, approximately 35.69% of the rights in the Company's capital assuming the allotment of the Offered Shares before the allotment of the Allotted Shares, approximately 23.02% of the rights in the Company's capital assuming the allotment of the Offered Shares, approximately 27.17% of the voting rights in the Company assuming the allotment of the Offered Shares, about 22.39% of the capital rights in the Company assuming full dilution and assuming

the allotment of shares in the Company, assuming full dilution and assuming the allotment of the Offered Shares, and approximately 26.3% of the proposed voting rights.

Changes occurring in the issued and paid-up capital	Ordinary shares of no nominal value
January 1, 2021	25,902,950
Private placement	7,744,907
December 31, 2021	33,647,857

The Offered Shares will be equal in their rights in every respect to the ordinary shares existing in the issued and paid-up share capital of the Company, and they will confer upon their owners the full dividends, bonus shares or any other distribution (as applicable) for which the effective date for their receipt is after the date of issue of the Offered Shares.

Changes occurring in the issued and paid-up capital	Addition to the issued capital (in ordinary shares)	Ordinary shares par value NIS 1	Ordinary shares par value NIS 0.01 each	Ordinary shares of no nominal value
January 1, 2020	-	1,000	-	-
Splitting the Company’s shares	99,000	(1,000)	100,000	-
Allotment of shares to officers	51,466	-	51,466	-
Allotment of shares to Noy Fund	49,534	-	49,534	-
Splitting shares	19,899,000	-	(201,000)	20,100,000
Public offering	-	-	-	5,802,950
December 31, 2020	20,099,000	-	-	25,902,950

Note 22 - Share-based payment

Below is a breakdown of the plan for allocating options to the Company's employees:

Allotment date	Number of offerees	Total number of options	Exercise price in NIS	The value of the options in NIS thousands (*)	Number of options exercised as of the financial report date	Number of options expired as of the financial report date
July 8, 2021 (a)	2	362,642	104.58	8,320	-	-
July 8, 2021 (a)	52	321,183	99.6	7,680	-	-
August 4, 2022 (b)	31	135,986	99.6	4,514	-	-

Allotment date	The life of the options (in years)	Expiration date of the options	Amount of options remaining as of the financial report date
July 8, 2021 (a)	6	July 8, 2027	362,642
July 8, 2021 (a)	6	July 8, 2027	310,823
August 4, 2022 (b)	6	August 4, 2028	128,215

(*) The option value was calculated according to the Black Scholes (B&S) model. As part of the calculation of the value of the benefit, the share price, the exercise price, the risk-free interest rate, the volatility and the expected life of the option are taken into account.

	As of December 31			
	2022		2021	
	Number of options	Weighted average of exercise price	Number of options	Weighted average of the exercise price
Options in circulation at the beginning of the year	683,825	102.24	-	-
Options granted during the year	135,986	99.60	683,825	102.24
Number of options of employees who left during the year	(18,131)	99.60	-	-
In circulation at the end of the year	**801,680**	**101.8**	**683,825**	**102.24**

- The exercise prices of the options in circulation as of December 31, 2022 range from NIS 104.58 - 99.6 per option (as of December 31, 2021: NIS 104.58 - 99.6)
- The weighted average of the remaining contractual life of the options as of December 31, 2022 is 4.7 years (as of December 31, 2021: 5.5 years)

Effect of share-based payment transactions on profit or loss:

	For the year ending December 31	
	2022	2021
	NIS thousands	
Expense arising from ESOP plans	5,734	3,707

Note 22 – Share-based payment (continued):

a. On August 4, 2022, the Company's board of directors resolved to allot 135,986 options to 31 employees, of which three offerees are officers, and the publication of an outline that allows the allotment of up to 395,015 options to employees and officers of the Company.

In accordance with the provisions of the Company's option plan, the options can be exercised on the dates as follows:

1. 50% of the total amount of the options starting two years from the effective date.
2. 25% of the total amount of the options starting after three years from the effective date.
3. 25% of the total amount of options starting after four years.

The exercise price of the options that will actually be allotted by virtue of the outline and the decision of the board of directors is NIS 99.6 per share.

On October 6, 2022, the Company allotted the aforementioned options. The value of the options granted to the employees is NIS 4.5 million. The life of the options is 6 years from the effective date. As of the date of approval of the financial statements, the options cannot yet be exercised.

Note 23 - Income from the sale of electricity and construction:

	For the year ending December 31		
	2022	2021	2020
	NIS thousands		
From the construction and operation of systems in Israel	300,779	350,887	208,593
Initiation and investment abroad	9,944	2,355	-
Initiating and investment in Israel	13,845	7,520	5,975
	324,568	**360,762**	**214,568**

Note 24 - Construction and operating costs:

	For the year ending December 31		
	2022	2021	2020
	NIS thousands		
Outside work	146,111	130,145	85,774
Materials	123,281	166,937	76,981
Depreciation expenses	13,711	6,346	3,067
Salary expenses	21,018	14,540	8,196
Maintenance and operation;	12,845	5,481	4,143
Other expenses	5,338	3,578	2,973
	322,304	**327,027**	**181,134**

Note 25 - Management and general expenses:

	For the year ending December 31		
	2022	2021	2020
	NIS thousands		
Salary expenses	18,128	9,115	4,074
Possession of vehicles	505	250	270
Professional services	11,748	4,811	2,183
Maintenance	4,301	590	486
Depreciation expenses	985	343	166
Other expenses	2,368	1,826	250
	38,035	**16,935**	**7,429**

Note 26 - Other Expenses

	For the year ending December 31		
	2022	2021	2020
	NIS thousands		
Expenses of issuing bonds and allotting shares	-	253	1,954
Expenses for competitive procedures (*)	22,033	-	-
Other	1,323	128	-
	23,356	**381**	**1,954**

(*) For additional details, see Note 17(a)(16).

Note 27 - Other income:

	For the year ending December 31		
	2022	2021(*)	2020
	NIS thousands		
Profit from gaining control of an associate company(**)	209,885	-	-
Other	63	512	111
	209,948	**512**	**111**

(*) Retrospective coordination of the temporary amounts recognized, see Note 13(2).

(**) For more details, see Note 13(1).

Note 28 - Net financing expenses:

a. Financing expenses

	For the year ending December 31		
	2022	2021(*)	2020
	NIS thousands		
Interest and fees	9,100	4,870	3,892
Interest for related parties	2,210	1,450	371
Financing expenses in respect of lease	3,366	1,710	785
Exchange rate differences	-	8,997	-
Bonds	33,945	5,723	-
Revaluation of financial and other derivatives	3,836	382	472
	52,457	**23,132**	**5,520**

b. Financing income

	For the year ending December 31		
	2022	2021(*)	2020
	NIS thousands		
Interest on deposits	9,766	606	54
Related party interest	2,418	5,942	-
Update of contingent consideration (**)	-	6,220	-
Update of cost overruns in respect of loans	1,283	4,247	-
Exchange rate differences	33,217	-	976
	46,684	**17,015**	**1,030**

(*) Retrospective coordination of the temporary amounts recognized, see Note 13(2).

(**) As part of the Blue Sky purchase agreement as detailed in Note 17(a)(11), it was determined that the minority rights holders will be entitled to receive a bonus subject to meeting the targets specified in the agreement. As of the Report Date, the Company estimates that there is no expectation of meeting the targets for receiving the bonus, and accordingly the contingent consideration has been fully reduced.

Note 29 - Income Tax:

a. The tax rate applicable to the Company in Israel is 23%, in the US 28%, and in Europe 22%.

b. Section 62 of the Income Tax Ordinance applies to the cooperative societies, which are held by the Company, which states that subject to the choice of the society, an agricultural cooperative society, for tax purposes, will be treated as a partnership. The associations held by the Company chose this option, and therefore, their tax liability applies to the Company according to its share.

c. The Company may recognize the expenses it incurred for the issuance of shares listed for trading on the Israel Stock Exchange in the year in which the issuance was carried out in accordance with the current provisions of the Income Tax Law (Deduction of Issuance Expenses), 5778-2018.

d. Final assessments:

In general, according to the provisions of the law, self-assessments submitted by the Company until the 2017 tax year are considered final (subject to the dates for submitting the reports and the statute of limitations).

Note 29 - Income Tax (cont.):

e. Net deferred taxes:

	Fixed assets	Losses carried forward	Cost overruns(*)	Other	Total
	NIS thousands				
As of December 31, 2021	**(71,068)**	**17,766**	**-**	**2,757**	**(50,545)**
Movement recognized in profit or loss	(14,420)	9,540	-	252	(4,628)
Movement in other comprehensive income	(8,562)	133	-	(52)	(8,481)
Entry into consolidation	(8,500)	7,908	(132,955)	-	(141,455)
As of December 31, 2022	**(102,550)**	**35,347**	**(132,955)**	**2,957**	**(197,201)**

(*) Cost overruns due to the attribution of deferred taxes, fixed assets, loans and investment in corporations are held according to the equity method. For more details, see Note 13(1)(b).

	Fixed assets (*)	Losses carried forward	Other	Total
	NIS thousands			
As of December 31, 2020	**(20,136)**	**15,623**	**106**	**(4,407)**
Movement recognized in profit or loss	(3,756)	2,143	1,645	32
Movement in other comprehensive income	(9,025)	-	(599)	(9,624)
Entry into consolidation	(38,151)	-	1,605	(36,546)
As of December 31, 2021	**(71,068)**	**17,766**	**2,757**	**(50,545)**

(*) Retrospective coordination of the temporary amounts recognized, see Note 13(2).

	As of December 31	
	2022	2021
	NIS thousands	
Presented in non-current assets	7,908	-
Presented in non-current liabilities	(205,109)	(50,545)
	(197,201)	**(50,545)**

f. Taxes on income (tax benefit) in the profit or loss statement:

	For the year ending December 31		
	2022	2021	2020
	NIS thousands		
Current taxes	155	-	-
Taxes for previous years	-	(161)	461
Deferred taxes	4,628	(32)	(13,786)
	4,783	**(193)**	**(13,325)**

Note 29 - Income Tax (cont.):

g. Accelerated depreciation - 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 portion each partner is entitled to in the tax year from the partnership's income will be considered the income of that partner and it will be included in its tax report. According to the Income Tax Regulations (Depreciation), 1941, a depreciation rate of 25% has been determined for facilities for generating electricity using solar energy, which make use of photovoltaic technology, which will apply to projects whose date of operation is as of January 1, 2009 to December 31, 2015. In 2018, the Finance Committee passed an update to the Regulations according to which the accelerated depreciation will be given to photovoltaic systems that produce electricity for self-consumption, which will begin commercial operation by December 31, 2020. In light of the fact that the aforementioned Regulations have not yet been renewed, the Company has stopped demanding accelerated depreciation regarding systems whose commercial operation began as of January 1, 2021.

h. Theoretical tax:

Below is an adjustment between the theoretical tax amount and the amount of taxes on the income recognized in profit or loss:

	For the year ended December 31,		
	2022	2021	2020
	NIS thousands		
Profit (loss) for the year before deducting income taxes	153,291	3,087	(265,731)
Corporate tax rate applicable to the Company	23%	23%	23%
Theoretical tax	35,257	710	(61,118)
Tax addition (savings) for:			
The Company's share of the losses (profits) of investee corporations treated using the equity method	(2,155)	(763)	219
Taxes for previous years	-	(161)	461
Utilization of other profits (and losses) for which deferred taxes are not recognized	8,488	-	(1,052)
Deferred tax due to accelerated depreciation transferred to the tax partner	9,206	-	-
Accounting profit from gaining control of an associate	(48,273)	-	-
The share of owners minority interests in the profits of consolidated partnerships	-	165	-
Issuance expenses allowed to the Company	-	(125)	(5,164)
Allotment of shares to officers	-	-	53,758
Adjustments due to a different tax rate in the consolidated companies	612	-	-
Share-based payment	1,318	853	-
Unrecognized expenses and other arrangements, net	175	872))	(429)
Total income tax (tax benefits)	**4,628**	**(193)**	**(13,325)**

Note 30 - Basic and diluted profit (loss) per share for the Company's shareholders:

Below are the figures for the profit for the year attributed to the Company's shareholders and the number of shares that were taken into account for the purpose of calculating the profit attributed to the Company's shareholders (see also Note 20 above):

	For the year ending December 31		
	2022	2021	2020
The profit (loss) used to calculate basic and diluted profit (loss) per share (NIS thousands)	153,746	4,383	(252,217)
The weighted average of the number of ordinary shares used to calculate basic and diluted profit (loss) per share in units	33,647,857	27,579,245	13,385,351

Note 31 - Interested parties and related parties:

A. General

Most of the Company's activity is done with investee companies.

Purchases and sales to related parties are made at market prices. Balances that have not yet been repaid by the end of the year are not guaranteed, do not bear interest and will be settled in cash. No guarantees were received or given for amounts receivable and payable. For the years that ended on December 31, 2022 and 2021, the Company did not record any provision for doubtful debts for amounts receivable from related parties.

B. Balances of interested parties and related parties

	As of December 31	
	2022	2021
	NIS thousands	
Customers and income receivable	226,321	221,479
Accounts receivable	48	-
Loans to investee companies	382,644	-
Liability for deferred consideration in a business combination	(109,244)	-
Accounts payable	(14,344)	)11,865(
Long-term loan from a related party (*)	(21,129)	(18,171)
Long-term loan to related parties (**)	29,809	-

(*) Loan received from Noy 3 for investment in infrastructure and energy starting in May 2020 at an annual interest rate of 6.5%

(**) In 2020, a consolidated corporation of the Company (hereinafter - Andromeda) entered into a tripartite loan agreement with the project companies (hereinafter: Olmedilla and Sabinar - and the local partner in Spain (related party) for the purpose of financing the projects. The loan is for a period of 13 years and carries an annual interest rate of 7%. The financing expenses were converted into eligible assets. On March 31, 2022, Olmedilla and Sabinar entered into a development agreement with the local partner in Spain to perform all operations and provide services for the development of the projects (authorizations, permits, land rights, licenses, etc.). In exchange for the services provided under the agreement, the developers will receive a fee according to the Mwp of the final capacity of the projects. It is agreed in the agreement that the 25% loans received will be classified as capital, and the remaining 75% as long-term loans, which accrue an interest rate of 7%. For more details, see Note 17(a)(8).

Note 31 - Interested parties and affiliates:

C. Transactions with interested parties and affiliates

	For the year ending December 31		
	2022	2021	2020
	NIS thousands		
Income	296,429	339,219	196,692
Financing expenses	2,210	1,450	371
Financing income	2,418	5,942	-

D. The Company's key management personnel include a member of the board of directors and members of the senior management.

	For the year ending December 31		
	2022	2021	2020
	NIS thousands		
Salary and related to key management personnel	4,198	3,173	1,722 (*)
Number of recipients	10	10	3
Management fees	911	914	1,070
Number of recipients	1	1	1
Allotment of shares and bonuses to officers	-	-	281,645
Number of recipients	-	-	3

* Includes four months for the salary of the CFO and the VP of Business Development, who are interested parties in the Company.

E. Salary and management agreements

1. Terms of office and employment of Mr. Ofer Yannay, Chairman of the Company's Board of Directors

In accordance with the agreement between the Company and a company under the control of Mr. Ofer Yannay (hereinafter: the "Management Company"), for providing the services of an active board chairman to the Company through him (in a full-time position scope), the Management Company was entitled during the above periods and until the update as detailed below, to management fees of two months in the amount of NIS 77 thousand per month (plus VAT), plus a vehicle and reimbursement of expenses as part of the performance of the position, in accordance with the new agreement signed on September 10, 2020 (hereinafter: "Effective Date"), for an indefinite period (hereinafter in this section: the "Management Agreement"), within the framework of which conditions were determined, while the main ones are as detailed below:

1) The Management Company will continue to provide management services through the controlling shareholder as part of fulfilling the position in the scope of a full-time position.
2) The Management Company will continue to be entitled to the monthly management fees against a legal tax invoice for the performance of the role (hereinafter: the "Management Fees"). The Management Fees will be increased by 5% each year. In addition, the controlling shareholder is entitled to the payment of reimbursements of expenses incurred for the purpose of fulfilling the position, against invoices, including reimbursement for the expenses of per diem, parking, travel, flights and car, for insurance coverage arranged by the Company as well as exemption and indemnification under the conditions.

Note 31 - Interested parties and affiliates (cont.):

i. Salary and management agreements (cont.):

3) The engagement in the Management Agreement can be terminated by the Company or by the Management Company by giving 6 months' notice, subject to exceptions.
4) The controlling shareholder and the Management Company are prohibited from competing with the Company until 12 months have passed from the date of termination of the engagement in the Management Agreement.
5) The terms of office and employment of the controlling shareholder are in accordance with the Company's remuneration policy.

2. Terms of office and employment of the CEO

In accordance with the employment agreements between the Company and the CEO, in exchange for his tenure, in the scope of a full-time position, the CEO will be entitled during the above periods and until an update as detailed below in relation to his share, to a monthly salary, plus additional conditions accepted by the Company.

As of September 10, 2020 (hereinafter: the "Effective Date"), the terms of office and employment of the CEO were updated, within the framework of employment relations according to the updated employment agreements. The main terms of the same are detailed below:

1) For fulfilling his duties, full-time, he is entitled to a gross monthly salary of NIS 53 thousand, plus additional conditions as is customary in the Company, including 22 vacation days per year, a pension arrangement, an advanced study fund, a car, and more, where the salary reflects the cost of employment to the Company of about NIS 70 thousand per month. The salary will be increased in the three years starting on the Effective Date, by 5% each year, so that the aforementioned increases will be carried out after 12 months, 24 months and 36 months from the Effective Date.
2) In addition, the CEO is entitled to insurance coverage arranged by the Company, as well as exemption and indemnity.
3) The terms of employment of the CFO and the VP of Business Development are the same as the terms of employment of the CEO, as detailed above.

Note 32: - Operating segments

As of the Report Date, the Company has several activities that include two sectors, which constitute its strategic business units. These business units include areas 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 methods of operation.

Below is a concise description of the business activity in each of the Company's activity sectors:

Initiation of and investment in photovoltaic systems:

Engaging in the initiation, licensing, management and financing of photovoltaic systems for the production of electricity from solar energy in Israel, using photovoltaic technology, on roofs, water reservoirs and land, with the aim of holding them as long-term owners, including through joint corporations held together with a third party whose investment in them is presented in the Company's financial statements as an investment in companies according to the equity method.

Initiating and investing in renewable energy abroad:

Engaging in the initiation, licensing, management and financing of photovoltaic systems for the production of electricity from solar energy abroad, using photovoltaic technology, on roofs, land and energy facilities with the aim of holding them as long-term owners, including through joint corporations held together with a third party whose investment in them is presented in the Company's financial statements as an investment in companies according to the equity method.

Note 32: - Operating segments (cont.)

Construction and operation of photovoltaic systems:

In the construction (EPC), and operation and maintenance (O&M) of photovoltaic systems, itself and through subcontractors. Within this field of activity, the Company is mainly engaged in the construction as well as the operation and maintenance of photovoltaic systems held by the Company in cooperation with third parties, through the joint project corporations, as part of activity
of the Company in the field of initiation and investment, as well as in the establishment and/or operation and maintenance of photovoltaic systems that is fully owned by third parties.

The construction activity segment does not include income from the construction of photovoltaic systems for the Company's own use.

The reports submitted to the Company's chief operational decision-maker, for the purpose of resource allocation and performance evaluation, reflect the Company's total revenues and its share of the revenues of the associates from electricity production, of all generating facilities held by the Company (directly and/or indirectly), by way of proportional consolidation, using the project EBITDA index, calculated as the aggregate total of the operating profit (revenues from electricity production minus operating and maintenance costs), neutralizing the depreciation of the systems, according to the amounts included in the financial statements of the project corporations.

A column of adjustments to the financial statement for external revenues includes the reversal of the Company's share of the revenues of the associate companies that were presented in the segments by way of relative consolidation. A column of adjustments to the financial statement to sector results - EBITDA, includes the reversal of the Company's share of the results of the associate companies that were presented in the segments by way of relative consolidation, and the addition of depreciation expenses of the systems that were neutralized.

For the year ended December 31, 2022

	Initiation and investment in photovoltaic systems in Israel	Construction and operation of photovoltaic systems in Israel	Initiating and investing in renewable energy abroad	Adjustments to the financial statement	Total in financial report
	NIS thousands				
Income from external	56,077	14,879	36,470	(51,758)	55,668
Inter-sector income	-	287,319	-	(1,419)	285,900
Total revenue	**56,077**	**302,198**	**36,470**	**(53,177)**	**341,568**
Sector results - EBITDA	36,017	1,928	29,953	(34,923)	32,975
Expenses (and income) not allocated to sectors:					
Management and general expenses					37,050
Marketing and sale expenses					8,757
Depreciation and amortization					14,696
Other expenses					23,356
Other income					(209,948)
Net financing expenses					5,773
Profit before tax					**153,291**

Note 32: - Operating segments (cont.):

For the year ended December 31, 2021

	Initiation and investment in photovoltaic systems in Israel	Construction and operation of photovoltaic systems in Israel	Initiating and investing in renewable energy abroad	Adjustments to the financial statement	Total in financial report
	NIS thousands				
Income from external	35,394	12,524	2,355	(28,085)	22,188
Inter-sector income	-	339,219	-	(856)	338,363
Total revenue	**35,394**	**351,743**	**2,355**	**(28,941)**	**360,551**
Sector results - EBITDA	23,598	31,531	2,322	(17,581)	39,870
Expenses (and income) not allocated to sectors:					
Management and general expenses					16,592
Marketing and sale expenses					7,516
Depreciation and amortization					6,689
Other expenses					381
Other income					(512)(*)
Net financing expenses					6,117(*)
Profit before tax					**3,087(*)**

(*) Retrospective coordination of the temporary amounts recognized, see Note 13(2).

Note 32: - Operating segments (cont.)

For the year ended December 31, 2020

	Initiation and investment in photovoltaic systems in Israel	Construction and operation of photovoltaic systems in Israel	Adjustments to the financial statement	Total in financial report
	NIS thousands			
Income from external	19,861	11,901	(14,838)	16,924
Inter-sector income	-	196,692	-	196,692
Total revenue	**19,861**	**208,593**	**(14,838)**	**213,616**
Sector results - EBITDA	13,980	32,004	(10,435)	35,549
Expenses (and income) not allocated to sectors:				
Management and general expenses				7,263
Marketing and sale expenses				2,797
Depreciation and amortization				3,233
Other income				(111)
Other expenses				1,954
Net financing expenses				4,490
Allotment of shares and one-time bonus to officers				281,654
Profit before tax				**(265,731)**

Note 33 - Financial Instruments:

a. Fair value

The book value of financial assets and liabilities, including cash and cash equivalents, short-term deposits, customers, other debtors, suppliers and other payables, short-term and long-term loans and credit, is consistent with or is close to their fair value. The fair value of the Company's Bonds as of December 31, 2022 is a total of NIS 699,510 thousand compared to the book value of NIS 735,233 thousand. Options granted to shareholders in associates are measured according to level 3 of the fair value scale. The change in value is credited each year to the statement of profit and loss to the financing expenses section. See details in section C later in the Note.

b. Risk management policy:

The Company's activity expose it to various financial risks, such as market risk, credit risk and liquidity risk. Risk management is performed by the Company's management.

1. Market risks:

   Market risks arise from the risk that the fair value or future cash flow of the financial instrument will change as a result of changes to the market prices. The market risks to which the Company is exposed include risk due to the volatility of the consumer price index and interest rate risk.

Balances on a linkage basis:

Section	As of December 31, 2022 NIS thousands						
	Dollar linked	Euro linked	Pound linked	Linked to other foreign currency	Index-linked	Unlinked	Amount
Cash and cash equivalents	53,269	50,123	43,240	214	-	91,019	237,865
Deposits from bank corporations and others	357,026	-	-	-	-	141,735	498,761
Restricted use deposits	-	-	-	-	-	370	370
Customers	2,369	2,704	-	-	-	245,126	250,199
Accounts receivable	4,466	17,749	2,245	3,494	-	29,480	57,434
Inventory	-	-	-	-	-	51,680	51,680
Total current assets	417,130	70,576	45,485	3,708	-	559,410	1,096,309
Investments in investee companies accounted for using the equity method	-	661,499	-	-	-	297,920	959,419
Right of use asset	31,766	109,107	-	1,421	44,237	18,131	204,662
Fixed assets	197,376	1,431,033	4,087	315	-	119,994	1,752,805
Intangible assets	148,353	352,499	-	-	-	-	500,852
Deposits in bank corporations and others	2,143	-	-	-	-	1,066	3,209
Long term deposits	35,190	-	236	-	-	343	35,769
Deferred taxes	-	7,908	-	-	-	-	7,908
Other debtors - related parties	-	29,809	-	-	-	-	29,809
Financial derivative	-	27,568	-	-	-	-	27,568
Total non-current assets	414,828	2,619,423	4,323	1,736	44,237	437,454	3,522,001
Total assets	831,958	2,689,999	49,808	5,444	44,237	996,864	4,618,310

Note 33 - Financial Instruments (cont.):

b. Risk management policy (cont.):

1. Market risks (cont.):

Balances on linkage basis:

Section	As of December 31, 2022 NIS thousands						
	Dollar linked	Euro linked	Pound linked	Linked to other foreign currency	Index-linked	Unlinked	Amount
Short-term loans and current maturities for long-term loans from banking and other corporations	310,543	19,240	-	-	-	907	330,690
Current maturities of long-term lease liability	1,909	5,044	-	183	4,847	1,413	13,396
Suppliers and service providers	19,626	36,932	2,257	921	-	41,241	100,977
Accounts payable	18,806	5,450				34,701	58,957
Liability for deferred consideration in a business combination	-	109,244	-	-	-	-	109,244
Current maturities of bonds	-	-	-	-	121,370	-	121,370
Financial derivatives	3,047	-	-	-	-	1,905	4,952
Total current liabilities	353,931	175,910	2,257	1,104	126,217	80,167	739,586
Long-term loans from banks	52,986	216,484	-	-	-	26,825	296,295
Lease liabilities	32,979	101,919	-	1,259	40,119	18,546	194,822
Loan from a related party	-	204	534	-	20,391	-	21,129
Deferred taxes	47,057	141,438	(259)			16,873	205,109
Bonds	-	-	-	-	613,863	-	613,863
Other liabilities	11,434	9,570	-	-	728	1,155	22,887
Total non-current liabilities	144,456	469,615	275	1,259	675,101	63,399	1,354,105
Shareholders' equity and premium	128,134	1,228,983	-	-	-	211,579	1,568,696
Loss balance	(9,177)	(1,811)	(1,162)	(1,429)	-	(54,954)	(68,533)
Capital reserves	6,918	25,275	218	27	-	85,413	117,851
Total capital attributed to shareholders of the Company	125,875	1,252,447	(944)	(1,402)	-	242,038	1,618,014
Non-controlling interests	57,057	850,502	(327)	(127)	-	(500)	906,605
Total capital	182,932	2,102,949	(1,271)	(1,529)	-	241,538	2,524,619
Total liabilities and equity	681,319	2,748,474	1,261	834	801,318	385,104	4,618,310

Note 33 - Financial Instruments (cont.):

b. Risk management policy (cont.):

1. Market risks (cont.):

Balances on linkage basis:

Section	As of December 31, 2021 NIS thousands					
	Linked to Dollars	Linked to Euros	Linked to the pound	Index-linked	Unlinked	Amount
Cash and cash equivalents	235,014	93,270	12,704	-	563,357	904,345
Shorts term deposits	-	-	-	-	161,025	161,025
Short term restricted cash	-	-	-	-	640	640
Customers	1,148	-	-	-	233,321	234,469
Accounts receivable	3,215	-	-	-	18,360	21,575
Inventory	-	-	-	-	56,619	56,619
Total current assets	239,377	93,270	12,704	-	1,033,322	1,378,673
Investments in investee companies 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	113,037	-	-	-	86,307	199,344
Intangible asset	131,111	-	-	-	-	131,111
Long term restricted cash	963	-	-	-	-	963
Long term deposits	-	-	-	-	5,530	5,530
Total non-current assets	272,296	273,218		27,464	226,122	799,100
Total assets	511,675	366,488	12,704	27,464	1,259,442	2,177,773

Note 33 - Financial Instruments (cont.):

b. Risk management policy (cont.):

1. Market risks (cont.):

Balances on linkage basis:

Section	As of December 31, 2021 NIS thousands					
	Linked to Dollars	Linked to Euros	Linked to the pound	Index-linked	Unlinked	Amount
Short-term loans, and current maturities for long-term loans from banking corporations	10,409	-	-	-	26,475	36,884
Current maturities of long-term lease liability	1,245	-	-	2,662	679	4,546
Suppliers and service providers	524	-	-	-	67,406	67,930
Accounts payable	12,425	-	-	-	6,406	18,699
Financial derivatives	-	-	-	-	1,981	1,981
Total current liabilities	24,603	-	-	2,622	102,815	130,040
Long-term loans from banks	43,393	-	-	-	22,677	66,070
Lease liabilities	27,888	-	-	25,939	9,739	63,566
Loan from minority	-	-	-	-	18,171	18,171
Deferred taxes	33,507	-	-	-	17,038	50,545
Bonds	-	-	-	398,318	-	398,318
Other liabilities	1,952	-	-	-	2,238	4,190
Total non-current liabilities	106,740	-	-	424,257	69,863	600,860
Shareholders' equity and premium	101,957	-	-	-	1,466,739	1,568,696
Loss balance (surpluses)	(5,650)	-	-	-	(219,801)	(225,451)
Capital reserves	(5,226)	-	-	-	54,632	49,406
Total capital attributed to shareholders of the Company	91,081	-	-	-	1,301,570	1,392,651
Non-controlling interests	51,802	-	-	-	2,420	54,222
Total capital	154,803	-	-	-	1,292,070	1,446,873
Total liabilities and capital	274,226	-	-	426,879	1,476,668	2,177,773

Note 33 - Financial Instruments (cont.):

b. Risk management policy (cont.):

2. Interest risk:
With the exception of a transaction detailed in Section H, the Company has no additional instruments that reduce exposure to changes in the variable interest rate.
3. Currency risk
Foreign currency risk is the risk at which the fair value or the future cash flows of a financial instrument will change as a result of changes in the exchange rates of a foreign currency.
4. Credit Risk:
The credit risk is the risk that one party of the financial instrument will cause a financial loss to the other party by failing to meet its obligations. The Company's credit risk mainly stems from its customers, banks and other debtors.
5. Customers:
In the Company's opinion, there is no need for a provision for impairment regarding debts that are not in arrears or in arrears of up to 60 days, and this is based on past experience regarding these debts, and also because the bulk of the amount consists of related parties. As of December 31, 2022, most of the remaining customers are customers for whom there is no need for 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. A liquidity risk is a risk that the Company will have difficulty meeting its obligations related to financial liabilities that are cleared by cash or another financial asset. The Company’s policy is to ensure that the cash held is always sufficient to cover the liabilities when they become due. In order to achieve this goal, the Company aims to hold cash balances (or suitable lines of credit), to meet the forecasted requirements, for a period of at least 45 days.
Below is the analysis of the contractual maturity dates of financial obligations based, where relevant, on nominal values for the settlement of interest rates and exchange rates as of the end of the Reporting Period:

Note 33 - Financial Instruments (cont.):

6. Liquidity risk (cont.):

	Repayment dates						
As of December 31, 2022	**During the coming year**	**Between one and two years**	**Between 2 and 3 years**	**Between 3 and 4 years**	**Between 4 and 5 years**	**Over five years**	**Total**
	NIS thousands						
Accounts payable	51,411	-	-	-	-	-	51,411
Suppliers and service providers	100,977	-	-	-	-	-	100,977
Liabilities for leases	12,197	11,736	10,736	10,302	10,337	216,688	271,996
Related parties	109,244	-	-	-	-	21,129	130,373
Other liabilities	1,404	1,026	1,704	2,084	46	11,453	17,717
Bonds	121,370	91,027	75,856	60,685	409,623	-	758,561
Financial derivatives	4,952	-	-	-	-	-	4,952
Credit from bank corporations and others	330,690	21,684	22,134	22,488	26,127	176,998	600,121
Total	732,245	125,473	110,430	95,559	446,133	426,268	1,936,108

*The data above are presented according to their stated value at the maturity date, linked to the index/exchange rate as of the balance sheet date.

	Repayment dates						
As of December 31, 2021	**During the coming year**	**Between one and two years**	**Between 2 and 3 years**	**Between 3 and 4 years**	**Between 4 and 5 years**	**Over five years**	**Total**
	NIS thousands						
Accounts payable	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 a related party	-	-	-	-	-	18,171	18,171
Other long-term liabilities	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 banks	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

7. Capital management:

The Company includes as capital the paid-up share capital, premium, surpluses and capital reserves for the revaluation of fixed assets and adjustments resulting from the translation of financial statements of foreign activities.

The Company's main goal in capital management is to ensure the ability to regularly provide a return to shareholders by way of capital growth or profit distributions. In order to meet this goal, the Company strives to maintain a leverage ratio that balances the risks and returns at a reasonable level, while maintaining a funding base that will allow the Company to meet its investment and working capital needs. When making decisions about capital changes, the Company does not only consider its short-term situation but also its long-term goals.

ג. Financial instruments recognized in the Statement of Financial Position

As of December 31, 2022				
	Level 1	**Level 2**	**Level 3**	**Total**
NIS thousands				
Non-current financial assets - fair value through other comprehensive income				
Derivatives (**)	-	27,568	-	27,568
Current financial liabilities - fair value through profit and loss				
Options granted to shareholders in associated companies	-	(3,047)	(1,905)	(4,952)

(*) For more details about measuring fair value, see Note 2(19).

(**) The Company's consolidated corporation has a variable interest loan. In order to reduce exposure, the consolidated corporation entered into a hedging transaction whose net fair value as of December 31, 2022 is positive in the amount of NIS 27,568 thousand. The transaction is for a term of up to 14 years and includes the purchase of an IRS (Interest Rate Swap).

As of December 31, 2021				
	Level 1	**Level 2**	**Level 3**	**Total**
NIS thousands				
Current financial liabilities - fair value through profit and loss				
Options granted to shareholders in associated companies	-	-	(1,980)	(1,980)

Note 34 - Events after the date of the Statement of Financial Position:

a. Sabinar project

Further to Note 17(a)(8), on February 17, 2023, Sabinar Hive, S.l. (the "Borrower"), a corporation indirectly held by the Company at a rate of approximately 47%, entered into a framework agreement with a German financial body, to receive senior financing in the amount of EUR 131.97 million at annual interest at a rate of 4.6% for one year and for a period of up to 20 years, which will be provided in two withdrawals and will be used mainly to repay shareholder loans that were invested and will be invested for the construction of the Sabinar I and Sabinar II projects. The Sabinar projects are solar projects with a total capacity of about 238 megawatts in Spain, which include the Sabinar I projects, with a capacity of about 155 megawatts, which is connected to the electricity grid in Spain and the sale of electricity from it has begun, and the Sabinar II project, with a capacity of about 83 megawatts, which is under construction.

b. Storage project in the UK

Further to Note 17(a)(14), on February 22, 2023, the Company reported that Atlantic Green continued to increase its storage project backlog and entered into an agreement to purchase the entire share capital of the corporation that holds the rights to establish two adjacent storage projects with an estimated grid connection capacity of 130 megawatts, and an estimated storage capacity supply with an estimated capacity of approximately 260 megawatt hours, assuming use of batteries with a storage capacity of two hours (Toton project).

The Company would also like to update that on February 21, 2023, Atlantic Green completed the transaction for the purchase of the holdings in the Cellarhead project after the approval of the planning committee (Planning Consent) for the project was received, and on February 22, 2023, the completion of the purchase of holdings in the Buxton project began.

The above are in addition to the Company's previous reports regarding the establishment of the Atlantic Green UK Limited development platform, which deals with the initiation, development, construction, financing and operation of energy storage projects in the United Kingdom ("Atlantic Green"), entry into the Cellarhead projects (a storage project with an estimated capacity of about 700 megawatt hour) and Buxton (storage project of about 60 megawatt hour).

c. Malfunction at a substation

As part of the running procedures of the Olmedilla and Sabinar I project, during the first quarter of 2023, a technical fault occurred in the substation, which necessitated a complete stoppage of the flow of electricity to the grid. It is noted that in the Company's estimation, loss of revenue as a result of the stoppage of the flow to the grid will be covered under the warranty and obligations of the construction contractor. Therefore, in the Company's estimation, despite the expected decrease in revenues from the sale of electricity in the first quarter of the year, the aforementioned stoppage of flows is not expected to cause financial damage to the Company (since the Company is expected to receive compensation equal to the loss of revenues).

d. Entering into an investment and loan agreement to increase holdings in Sunprime

Further to Note 17(a)(7), on March 2023, 2023, Andromeda, a corporation indirectly held by the Company at a rate of 52.5%, entered into investment and loan agreements with Sunprime Holding, regarding the possibility of converting loans in the amount of up to EUR 22.5 million that it previously provided for Sunprime Holding shares, as well as the provision of additional convertible loans under terms as set forth in this report below, such that after providing and converting all the aforementioned shareholder loans, if converted, Andromeda's holdings will increase to 60% of Sunprime Holding's share capital and the Company's holdings will increase to 31.5%, indirectly.

Note 34 - Events after the Date of the Statement of Financial Position (cont.):

e. Meteo-Logic

In March 2023, the Company entered into and completed an investment and loan transaction with Meteo-Logic Ltd ("Meteo-Logic").Meteo-Logic is an Israeli high-tech company that has developed a unique engine, based on artificial intelligence (AI), for automatic trading in energy assets traded on global exchanges - future contracts of electricity, gas and more.

To the best of the Company's knowledge, Meteo-Logic uses this data to predict electricity prices and open trading positions on the electricity exchange.

As part of the investment deal, the Company invested a total of EUR 3 million in Meteo-Logic against the allotment of shares at a rate of approximately 5% of Meteo-Logic's share capital, and also undertook to provide Meteo-Logic with a loan of up to EUR 5 million for a period of two years, intended for trade on the electricity exchange.

Holdings Appendix

Below is a list of the Company's Investee Corporations and the rates of their holdings, as of December 31, 2022 and 2021:

a. Entities incorporated in Israel whose primary place of operations is Israel.

Entity name	December 31, 2022	December 31, 2021
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 Hashlosha 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.	15%	15%
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%

Entity name	December 31, 2022	December 31, 2021
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%
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	52.5%	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.	20%	20%
Nofar Afek Cooperative Agricultural Association Ltd.	50.01%	50.01%
Nofar Energy Afifit PV Limited Partnership	25%	25%
Nofri Emek Hayarden Solar Energy Cooperative Agricultural Association Ltd.	21.3%	21.3%
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%

Entity name	December 31, 2022	December 31, 2021
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.	25%	100%
Nofar-Ackerstein Solar Energy, Limited Partnership	20%	20%
Nofar Gavim Cooperative Agricultural Association Ltd.	20%	20%
Nofar Energy, Limited Partnership	100%	100%
Nofar Energy USA, Limited Partnership	99.8%	99.8%
Nofar Energy Europe, Limited Partnership	99.8%	99.8%
Nofar Energy (Management) Ltd.	99.9%	99.9%
Nofar-Noy PVGP Ltd.	85%	85%
Nofar Neve Ilan Cooperative Agricultural Association Ltd.	50%	50%
Reservoirs PV A.A.N. Cooperative Agricultural Association Ltd.	21.3%	21.3%
Nofar Elifaz PV Roofs Cooperative Agricultural Association Ltd.	25%	25%
Nofar Tze'elim Reservoirs PV 2 Cooperative Agricultural Association Ltd.	42.5%	42.5%
Agira Nofar Nir Yitzhak Cooperative Agricultural Association Ltd.	49%	49%
Nofar Energy Sano, Limited Partnership	100%	100%
Nofar Hogwarts PV Limited Partnership	99.9%	99.9%
Nofar Merkavim PV Limited Partnership	99.9%	99.9%
Nofar Energy Mishmarit, Limited Partnership	49.9%	49.9%
Nofar-Ackerstein (Management) Ltd.	20%	20%
Nofar Ashlad (Management) Ltd.	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%
Nofar Electricity Supply, Limited Partnership	100%	-
Nofar Energy USA (Management) Ltd.	100%	-
Nofar Gilgal PV 1, Limited Partnership	100%	-
Nofar Nir Eliyahu Cooperative Agricultural Association Ltd.	25%	-
Nofar Energy Wizzotzky, Limited Partnership	20%	-
Nofar Mishmar Hanegev Polibid Cooperative Agricultural Association	20%	-

Entity name	December 31, 2022	December 31, 2021
Sadeh Nofarim Cooperative Agricultural Association Ltd.	50%	-
Nofar Hefetz Haim Cooperative Agricultural Association Ltd.	20%	-
Nofar Revivim, Limited Partnership	25%	-
Nofar Dalia Reservoirs, Limited Partnership	34%	-
Nofar Maagan Michael Cooperative Agricultural Association Ltd	25%	-
Nofar Galon Cooperative Agricultural Association Ltd.	25%	-
Agricultural Energy Cooperative Agricultural Association Ltd.	25%	-
Nofar Milgam Energy, Limited Partnership	50%	-
Nofar New Solar General Partner Ltd.	65%	-
Nofar Sde Eliyahu PV, Limited Partnership	100%	-
Nofar Negba Reservoirs (Management) Ltd.	100%	-
Nofar Negba Reservoirs, Limited Partnership	99.9%	-
Nofar Mesda PV Roofing Cooperative Agricultural Association Ltd.	50%	-
Nofar Mesda Of Tov Cooperative Agricultural Association Ltd.	40%	-
Zurim Etzion Nofar Cooperative Agricultural Association Ltd.	15%	-
PV Lands Nofar Elipaz Cooperative Agricultural Association	49%	-
Nofar Naan Cooperative Agricultural Association Ltd.	20%	-
Nofar Hod Etzion Cooperative Agricultural Association Ltd.	15%	-
Nofar Park Edison 2, Limited Partnership	50%	-
Nofar Energy Amitzur, Limited Partnership	25%	-
Nofar Oz, Limited Partnership	30%	-
Nofar Water Works in the Upper Galilee Cooperative Agricultural Association Ltd.	42.5%	-
Nofar Energy Holdings 36, Limited Partnership	99.8%	-
Nofar Energy Holdings 18, Limited Partnership	99.8%	-
Nofar Energy Wizzotzky (Management) Ltd.	20%	-
Nofar Dalia Reservoirs (Management) Ltd.	34%	-
Nofar Revivim (Management) Ltd.	25%	-
Nofar Energy Amitzur (Management) Ltd.	25%	-
Nofar Oz (Management) Ltd.	30%	-
Nofar Milgam Energy (Management) Ltd.	49%	-
Tnuport-Nofar (Management) Ltd.	17.5%	-

f. Corporations that are domiciled abroad

Entity name	December 31, 2022	December 31, 2021	Place of incorporation
BLUE SKY UTILITY LLC	67%	67%	USA
BLUE SKY UTILITY HOLDINGS LLC	67%	67%	USA
ANDROMEDA SOLUTIONS K.F.T	52.5%	40%	Spain
OLMEDILLA HIVE, S.L	49.9%	38%	Spain
SABINAR HIVE, S.L	47.3%	36%	Spain
GRID HIVE, S.L	48.3%	36.8%	Spain
SUNPRIME GENERATION SRL	26.3%	16%	Italy
NOFAR USA LLC	100%	100%	USA
ATLANTIC GREEN UK LIMITED	75%	75%	England
NOVENTUM POWER LIMITED	80%	80%	England
NOFAR RATESTI B.V	100%	100%	Romania
RATESTI SOLAR PLANT SRL	50%	50%	Romania
NOFAR EUROPE B.V	90%	90%	Netherlands
NOFAR ENERGY SRL	90%	90%	Romania
NOFAR ADRIA D.O.O. BEOGRAD	77.9%	84.6%	Serbia
Nofar Energy CZ S.R.O.	81%	81%	Czech Republic
NOFAR ENERGY POLAND 1 sp. Z	90%	90%	Poland
ELECTRUM NOFAR sp. Z	72%	80%	Poland
SUN ENERGY PROJEKT sp z.o.o	64.8%	-	Poland
BARTODZIEJE sp z.o.o ELEKTROWNIA	72%	-	Poland
INTER WORKS sp z.o.o	72%	-	Poland
ELECTRUM PV 7 sp z.o.o	72%	-	Poland
SOLARIKA sp z.o.o	72%	-	Poland
ELECTRUM PV 6 sp z.o.o	72%	-	Poland
MDW ENERGY sp z.o.o	72%	-	Poland
SunPrime Development S.r.l	26.3%	-	Italy
SunPrime Sustainable Solar S.r.l	26.3%	-	Italy
SunPrime Solar Belt S.r.l	26.3%	-	Italy
Sunprime Energia Distribuita S.r.l	26.3%	-	Italy
Sunprime Energia Ovunque S.r.l	26.3%	-	Italy
Sunprime MT S.r.l	26.3%	-	Italy
SunPrime Holdings SRL	26.3%	-	Italy

Part C

Consolidated Financial Statements as of December 31, 2022

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March 29, 2023

To:
The Board of Directors of O.Y. Nofar Energy Ltd. (hereinafter: the "Company")
4 Haodem Street, Yitzhar Industrial Park, Ad Halom.

To Whom It May Concern,

Re: Letter of consent provided together with the publication of a periodic report in connection with a shelf prospectus of O.Y. Nofar Energy Ltd. dated December 2020

We hereby inform you that we agree to the inclusion of our reports as set forth below (including by way of reference) in the shelf offerings that will be published by you under the shelf prospectus from December 2020:

1) The auditors' report dated March 29, 2023 regarding the consolidated financial statements of the Company as of December 31, 2022 and 2021, and for each of the three years in the period ending on December 31, 2022.

2) A report of the auditor dated March 29, 2023, on separate financial information of the Company pursuant to Article 9c of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, as of December 31, 2022 and 2021, and for each of the three years in the period ending on December 31, 2022.

3) The report of the auditor dated March 29, 2023 regarding the audit of pro-forma consolidated financial statements of profit or loss and other comprehensive income for each of the three years in the period ending on December 31, 2022.

Ziv Haft

Certified Public Accountants

Tel Aviv	Jerusalem	Haifa	Be'er Sheva	Bnei Brak	Kiryat Shmona	Petach Tikva	Modiin Illit	Nazareth Illit	Eilat
03-6386868	02-6546200	04-8680600	077-7784100/2	073-7145300	077-5054906	077-7784180	08-9744111	04-6555888	08-6339911

Main Office: Amot BDO House, 48 Menachem Begin Road, Tel Aviv, 6618001 E-mail: bdo@bdo.co.il Visit our website: www.bdo.co.il

Auditor's Report to the Shareholders of O.Y. Nofar Energy Ltd.

We have audited the consolidated statements of financial position attached of O.Y. Nofar Energy Ltd. (hereinafter: the "**Company**") as of December 31, 2022 and 2021, as well as the consolidated statements of income and other comprehensive income, changes in equity and cash flows for each of the three years ending on the period ending December 31, 2022. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion as to these financial statements based on our audit.

We have not audited the financial statements of consolidated companies whose assets included in the consolidation constitute approximately 43% and approximately 14% of all consolidated assets as of December 31, 2022 and 2021 respectively, and whose revenues included in the consolidation constitute approximately 3% of all consolidated revenues for the year that ended on December 31, 2022 and approximately 0.6% of all consolidated revenues for the period from July 1, 2021 to December 31, 2021. The financial information of the same companies was reviewed by other auditors, whose review reports were provided to us, and our opinion, inasmuch as it relates to the amounts included in respect of the same companies, is based on the review reports prepared by the other auditors. Also, the data included in the financial statements and referring to the balance sheet value of the investments and the Company's share in the business results of investee companies presented on the basis of the equity value, are based on financial statements that have been partially audited by other accountants.

We have conducted our audit in accordance with the customary auditing standards, including the standards set forth in the Accountant Regulations (Mode of Performance of an Accountant), 5733-1973. Based on these standards, we are required to plan the audit and execute it in order to obtain a reasonable degree of certainty that the financial statements do not contain a material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes a review of the accounting rules applied and the significant estimates used by the Company's board of directors and management, as well as an evaluation of the accuracy of the presentation in the financial statements generally. We believe that our audit and the other accountant reports provide a sufficient basis for our opinion.

In our opinion, based on our audit as well as the reports by the other accountants, the aforesaid consolidated financial statements reflect fairly, in all material respects, the financial state of the Company and its consolidated companies as of December 31, 2022 and 2021, and the results of their operations, the changes to equity and their cash flows for each of the three years ending on December 31, 2022, in accordance with the International Financial Reporting Standards (IFRS) and the Securities Regulations (Annual Financial Statements), 5770-2010.

Tel Aviv, March 29, 2023

Ziv Haft
Accountants

Tel Aviv	Jerusalem	Haifa	Be'er Sheva	Bnei Brak	Kiryat Shmona	Petach Tikva	Modiin Illit	Nazareth Illit	Eilat
03-6386868	02-6546200	04-8680600	077-7784100/2	073-7145300	077-5054906	077-7784180	08-9744111	04-6555888	08-6339911

Main Office: Amot BDO House, 48 Menachem Begin Road, Tel Aviv, 6618001 E-mail: bdo@bdo.co.il Visit our website: www.bdo.co.il

Consolidated Statements of Financial Position

		As of December 31	
		2022	2021(*)
	Note	NIS thousands	
Assets			
Current assets:			
Cash and cash equivalents	5	237,865	904,345
Deposits in bank corporations and others	6	498,761	161,025
Restricted use deposits		370	640
Customers	7	250,199	234,469
Accounts receivable	8	57,434	21,575
Inventory		51,680	56,619
Total current assets		**1,096,309**	**1,378,673**
Non-current assets:			
Investments in investee companies accounted for using the equity method	9	959,419	398,032
Right of use asset	10	204,662	64,119
Fixed assets	11	1,752,805	199,345
Intangible assets	12	500,852	131,111
Restricted use deposits		3,209	963
Financial derivative	33(h)	27,568	-
Deferred taxes	29	7,908	-
Other debtors - related parties	31	29,809	-
Deposits in bank corporations and others	6	35,769	5,530
Total non-current assets		**3,522,001**	**799,100**
Total assets		**4,618,310**	**2,177,773**

(*) Retrospective coordination of the temporary amounts recognized, see Note 13(2).

The notes attached constitute an integral part of the consolidated financial statements.

Consolidated Statements of Financial Position

		As of December 31	
		2022	(*) 2021
	Note	NIS thousands	
Liabilities and equity			
Current liabilities:			
Short-term loans and current maturities for long-term loans from banks	14	330,690	36,884(**)
Current maturities of lease liabilities	10	13,396	4,546
Current maturities of bonds	19	121,370	-
Suppliers and service providers	15	100,977	67,930
Liability for deferred consideration in a business combination	13	109,244	-
Accounts payable	16	58,957	18,699(**)
Financial derivatives	33(h)	4,952	1,981
Total current liabilities		**739,586**	**130,040**
Non-current liabilities:			
Long-term loans from banks	18	296,295	66,070
Liabilities for leases	10	194,822	63,566
Loan from a related party	31	21,129	18,171
Deferred taxes	29	205,109	50,545
Bonds	19	613,863	398,318
Other liabilities	20	22,887	4,190
Total non-current liabilities		**1,354,105**	**600,860**
Capital:			
Capital attributed to shareholders of the Company			
Shareholders' equity and premium	21	1,568,696	1,568,696
Loss balance		(68,533)	(225,451)
Capital reserves		117,851	49,406
Total capital attributed to shareholders of the Company		**1,618,014**	**1,392,651**
Non-controlling interests		906,605	54,222
Total capital		**2,524,619**	**1,446,873**
Total liabilities and capital		**4,618,310**	**2,177,773**

(*) Retrospective coordination of the temporary amounts recognized, see Note 13(2).

(**) Reclassified

The notes attached constitute an integral part of the consolidated financial statements.

March 29, 2023			
Date of approval of the financial statements for publication	**Ofer Yannay Chairman of the Board**	**Nadav Tenne CEO**	**Noam Fisher CFO**

Consolidated Statements of Profit or Loss and Other Comprehensive Profit

		For the year ending December 31		
		2022	2021(*)	2020
	Note	NIS thousands		
Revenue from sale of electricity and construction	23	324,568	360,762	214,568
Company's share in the profits (losses) of companies handled based on the equity method, net	9	9,371	(211)	(952)
Income from tax partner		7,629	-	-
Total income and profits		**341,568**	**360,551**	**213,616**
Setup and operating costs	24	322,304	327,027	181,134
Marketing and sale expenses		8,757	7,516	2,797
Management and general expenses	25	38,035	16,935	7,429
Other expenses	26	23,356	381	1,954
Total expenses		**392,452**	**351,859**	**193,314**
Other income	27	209,948	512	111
Allotment of shares and one-time bonus to officers		-	-	(281,654)
Operating profit (loss)		**159,064**	**9,204**	**(261,241)**
Financing expenses	28	52,457	23,132	5,520
Financing income	28	46,684	17,015	1,030
Financing expenses, net		**5,773**	**6,117**	**4,490**
Profit (loss) before taxes on income (tax benefit)		**153,291**	**3,087**	**(265,731)**
Income tax expenses (tax benefits)	29	4,783	(193)	(13,325)
Profit (loss) for the year		**148,508**	**3,280**	**(252,406)**
Total other comprehensive income (loss) (after tax impact):				
Amounts that will be classified or reclassified to profit or loss if specific conditions are met				
Adjustments arising from transaction of financial statements for foreign operations		62,062	(29,833)	(192)
Adjustments arising from cash flow hedging transactions		7,590	-	-
Disposal of adjustments arising from cash flow hedging transactions following obtaining control of associate company		(7,590)	-	-
Items not reclassified later to profit and loss:				
Part of other comprehensive income of corporations accounted for using the equity method		10,134	25,613	19,307
Revaluation for fixed assets		653	9,406	265
		10,787	**35,019**	**19,572**
Total other comprehensive income		**72,849**	**5,186**	**19,380**
Total comprehensive profit (loss) for the year		**221,357**	**8,466**	**(233,026)**
Profit (loss) for the year attributed to:				
Shareholders of the Company		153,746	4,383	(252,217)
Non-controlling interests		(5,238)	(1,103)	(189)
		148,508	**3,280**	**(252,406)**
Total profit (loss) for the year attributed to:				
Shareholders of the Company		219,629	9,569	(232,837)
Non-controlling interests		1,728	(1,103)	(189)
		221,357	**8,466**	**(233,026)**
Basic and diluted profit (loss) per share (in NIS) attributed to the owners of the Company	30	**4.57**	**0.16**	**(18.84)**

(*) Retrospective coordination of the temporary amounts recognized, see Note 13(2).

The notes attached constitute an integral part of the consolidated financial statements.

Consolidated Statements of Changes to Equity

For the year ended December 31, 2022

	Capital attributed to shareholders of the parent company							
	Share capital and premium	**Capital reserve for revaluation of fixed assets**	**Adjustments arising from transaction of financial statements for foreign operations**	**Capital reserve for share-based payment**	**Loss balance**	**Total capital attributed to shareholders of the Company**	**Non-controlling interests**	**Total capital**
	NIS thousands							
Balance as of January 1, 2022	**1,568,696**	**75,724**	**(30,025)**	**3,707**	**(225,451)**	**1,392,651**	**54,222**	**1,446,873**
Profit (loss) for the year	-	-	-	-	153,746	153,746	(5,238)	148,508
Other comprehensive profit (loss):								
Adjustments arising from transaction of financial statements for foreign operations	-	-	55,096	-	-	55,096	6,966	62,062
Reassessment for revaluation of fixed assets	-	653	-	-	-	653	-	653
Part of other comprehensive income of corporations accounted for using the equity method	-	10,134	-	-	-	10,134	-	10,134
Total other comprehensive income	-	10,787	55,096	-	-	65,883	6,966	72,849
Total comprehensive income for the year	-	10,787	55,096	-	153,746	219,629	1,728	221,357
Entry into consolidation	-	-	-	-	-	-	850,655	850,655
Share-based payment	-	-	-	5,734	-	5,734	-	5,734
Transfer of revaluation capital reserve for fixed assets to loss balance	-	(3,172)	-	-	3,172	-	-	-
Balance as of December 31, 2022	**1,568,696**	**83,339**	**25,071**	**9,441**	**(68,533)**	**1,618,014**	**906,605**	**2,524,619**

The notes attached constitute an integral part of the consolidated financial statements.

Consolidated Statements of Changes to Equity

For the year ended December 31, 2021

	Capital attributed to shareholders of the parent company							
	Share capital and premium	Capital reserve for revaluation of fixed assets	Adjustments arising from transaction of financial statements for foreign operations	Capital reserve for share-based payment	Loss balance	Total capital attributed to shareholders of the Company	Non-controlling interests	Total capital
	NIS thousands							
Balance as of January 1, 2021	**1,014,211**	**43,794**	**(192)**	**-**	**(232,923)**	**824,890**	**(189)**	**824,701**
Profit (loss) for the year (*)	-	-	-	-	4,383	4,383	(1,103)	3,280
Other comprehensive profit (loss):								
Adjustments arising from transaction of financial statements for foreign operations	-	-	(29,833)	-	-	(29,833)	-	(29,833)
Reassessment for revaluation of fixed assets	-	9,406	-	-	-	9,406	-	9,406
Part of other comprehensive income of corporations accounted for using the equity method	-	25,613	-	-	-	25,613	-	25,613
Total other comprehensive income (loss)	-	35,019	(29,833)	-	-	5,186	-	5,186
Total comprehensive profit (loss) for the year	-	35,019	(29,833)	-	4,383	9,569	(1,103)	8,466
Entry into consolidation	-	-	-	-	-	-	55,514	55,514
Share-based payment	-	-	-	3,707	-	3,707	-	3,707
Private issue of shares	554,485	-	-	-	-	554,485	-	554,485
Transfer of revaluation capital reserve for fixed assets to loss	-	(3,089)	-	-	3,089	-	-	-
Balance as of December 31, 2021	**1,568,696**	**75,724**	**(30,025)**	**3,707**	**(225,451)**	**1,392,651**	**54,222**	**1,446,873**

(*) Retrospective coordination of the temporary amounts recognized, see Note 13(2).

The notes attached constitute an integral part of the consolidated financial statements.

Consolidated Statements of Changes to Equity

For the year ended December 31, 2020

	Capital attributed to shareholders of the parent company						
	Share capital and premium	**Capital reserve for revaluation of fixed assets**	**Adjustments arising from transaction of financial statements for foreign operations**	**Surplus (loss balance)**	**Total capital attributed to shareholders of the Company**	**Non-controlling interests**	**Total capital**
	NIS thousands						
Balance as of January 1, 2020	1	25,051	-	18,465	43,517	-	43,517
Private issue of shares	224,680	-	-	-	224,680	-	224,680
Issue of shares to the public (less issuance expenses)	555,798	-	-	-	555,798	-	555,798
Allotment of shares to officers	233,732	-	-	-	233,732	-	233,732
Loss for the year	-	-	-	(252,217)	(252,217)	(189)	(252,406)
Other comprehensive profit (loss):							
Adjustments arising from transaction of financial statements for foreign operations	-	-	(192)	-	(192)	-	(192)
Reassessment for revaluation of fixed assets	-	265	-	-	265	-	265
Part of other comprehensive income of corporations accounted for using the equity method	-	19,307	-	-	19,307	-	19,307
Total other comprehensive income (loss)	-	19,572	(192)	-	19,380	-	19,380
Total comprehensive profit (loss)	-	19,572	(192)	(252,217)	(232,837)	(189)	(233,026)
Transfer of revaluation capital reserve for fixed assets to surplus	-	(829)	-	829	-	-	-
Balance as of December 31, 2020	1,014,211	43,794	(192)	(232,923)	824,890	(189)	824,701

The notes attached constitute an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

	For the year ending December 31		
	2022	2021(*)	2020
	NIS thousands		
Cash flow from current operations:			
Profit (loss) for the year	148,508	3,280	(252,406)
Adjustments required to present cash flows from operating activities:			
Current tax expenses	155	-	-
Depreciation and amortization	14,696	6,749	3,233
Net financing expenses	5,773	6,117	4,490
Allotment of shares to officers	-	-	233,732
Company's share in the (profits) losses of companies handled based on the equity method, net	(9,371)	211	952
Other income for tax partner	(7,629)	-	-
Profit from gaining control of an associate company	(209,885)	-	-
Capital (profit) loss	(23)	128	-
Share-based payment expenses	5,734	3,707	-
	(200,550)	**16,912**	**242,407**
Changes in sections of assets and liabilities:			
Decrease (increase) in inventory	4,939	9,064	(59,766)
Increase in customers	(165,929)	(76,986)	(114,828)
Decrease (increase) in receivables	(19,614)	10,245	(12,872)
Increase (decrease) in accounts payable	25,715	(33,949)(**)	(884)
Change in shareholders	-	-	103
Increase (decrease) in suppliers and service providers	(26,775)	(27,711)	72,997
Change in deferred taxes	4,628	(32)(**)	(13,786)
Increase (decrease) in current tax liability	-	(161)	421
	(177,036)	**(119,530)**	**(128,615)**
Income tax paid	(159)	(1,508)	-
Taxes received	4	135	1,002
Interest received in cash	7,500	-	57
Interest paid in cash	(12,878)	(2,378)	(4,644)
Net cash for current activities	**(234,611)**	**(103,089)**	**(142,199)**
Cash flows from investment activities:			
Investments in corporations accounted for using the equity method	(517,680)	(261,653)	(71,101)
Obtaining control of a consolidated company (Appendix B)	(95,350)	(16,184)	716
Exercise (deposit) of restricted use deposits	(1,800)	2,214	1,043
Deposit into deposits	(364,303)	(59,202)	(106,742)
Investments in fixed assets	(87,377)	(22,050)	(14,532)
Consideration from the exercise of fixed assets	133	1,527	16
Net cash used in investing activities	**(1,066,377)**	**(355,348)**	**(190,600)**
Cash flows from financing activities:			
Issue of shares (less issuance expenses)	-	554,485	224,680
Issue of shares to the public (less issuance expenses)	-	-	555,798
Short term credit from banks, net	260,807	(15,524)	(3,386)
Issue of bonds, net	311,673	394,421	-
Repayment of lease liabilities	(6,996)	(2,765)	(359)
Receipt of loan from affiliated party	529	5,000	11,721
Receipts from tax partner	18,908	-	-
Receipt of long term loans from bank corporations	23,544	-	26,020
Repayment of long term loans from bank corporations	(5,981)	(47,290)	(3,994)
Net cash arising from financing activities	**602,484**	**888,327**	**810,480**
Increase (decrease) in cash and cash equivalents	(698,504)	429,890	477,681
Balance of cash and cash equivalents at beginning of year	904,345	483,635	6,184
Impact of changes in foreign exchange rates for cash and cash equivalents	32,024	(9,180)	(230)
Balance of cash and cash equivalents at end of year	**237,865**	**904,345**	**483,635**

(*) Retrospective coordination of the temporary amounts recognized, see Note 13(2).

(**) Reclassified.

The notes attached constitute an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

	For the year ending December 31		
	2022	2021	2020
	NIS thousands		
Appendix A - Substantial non-cash transactions			
Initial recognition of right of use asset and lease liability	29,319	17,312	2,291
Consideration from the exercise of fixed assets	-	2,865	-
Purchase of fixed assets against supplier credit	27,660	-	-
Liability for deferred consideration	109,244	-	-
Appendix B - Obtaining control of an investee company			
Working capital, net, excluding cash and cash equivalents	(25,319)	(32,100)	751
Investment in an investee company	306,634	-	2,793
Disposal of investment in an investee company	(685,706)	-	-
Liability for deferred consideration	(109,244)	-	-
Fixed assets and intangible assets	1,744,191	235,608	13,007
Right of use asset	109,107	29,764	9,654
Related parties	29,810	(10,067)	(16,590)
Lease liability	(106,963)	(32,731)	(10,090)
Other long-term liabilities	(9,570)	(97,211)	(330)
Deferred taxes	(133,547)	(36,546)	89
Non-controlling interests	(850,655)	(58,168)	-
Short term and long term loans from bank corporations	(235,725)	-	-
Financial derivative	27,568	-	-
Goodwill	34,769	13,835	-
Limited cash	-	3,800	-
	95,350	**16,184**	**(716)**

The notes attached constitute an integral part of the consolidated financial statements.

Note 1 - General:

a. O.Y. Nofar Energy Ltd. (hereinafter: the "Company") was incorporated on April 7, 2011, as a private company, under the Companies Law. The Company is domiciled in Israel, and its registered office is located on Haodem Street in the Yitzhar Industrial Park, Ad Halom.

The Company is engaged, as of the Report Date, itself and through corporations held thereby (hereinafter: the "Group"), directly and indirectly, including in cooperation with third parties, in long-term development and investment activity of production systems of "clean" electricity from solar energy, systems for storing electricity in batteries in Israel, the USA and Europe, as well as in the construction (EPC), operation and maintenance (O&M) of photovoltaic 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. As part of the cooperation, a joint corporation was established which is held by the Company and the partner in parts, as agreed by the parties.
In addition to Israel, the Company is also an EPC contractor and maintenance contractor for most of the projects (solar projects and battery storage project and charging stations), which operates along the entire value chain of the construction of the systems, which gives the Company knowledge, experience and reputation, allowing the Company to supervise the planning, construction and maintenance of the projects and initiate projects that include the use of unique technologies (such as floating systems, storage facilities, etc.), which leaves the Company and its partners in the projects with a significant share of the profit arising from the initiation of the project, and contributes to the advancement of the systems owned by the group companies in a relatively quick period of time and to the fact that these systems are designed and maintained in an optimal and efficient manner.

b. Corona virus spread

The Group continues to operate in a full format and it estimates that it will be able to continue its regular activities in the future as well. However, there is still a degree of uncertainty regarding the risks involved in the spread of the virus, given the risk of discovering additional variants of the corona virus and the fear of the return of restrictions as a result. The Company estimates that the impact of the above on its activity is low.

c. Russia-Ukraine war

In February 2022, the Russian army invaded Ukraine, and began military operations in various areas, which led to damage to civilians and infrastructure, the displacement of the civilian population from their place of residence and the disruption of economic activity in Ukraine. As a result of the Russian invasion of the territories of Ukraine, various countries, including the USA, the UK and the EU countries, announced the imposition of significant economic sanctions against Russia (and in specific cases, against Belarus as well). The aforementioned sanctions are aimed at a number of parties at this stage, such as Russian financial institutions, gas and oil companies, public and private entities originating in Russia, individuals related to the President of Russia, the Russian Central Bank, and more.

As of the publication of the reports, the Company anticipates that the aforementioned will not have a material impact on its financial statements.

d. The development of the Company's activities in Israel and abroad

1. Spain - The Company is active in Spain through the company (Andromeda) Andromeda Solutions KFT which owns two project companies - Olmedilla Hive S.L. (Olmedilla) and Sabinar Hive S.L. (Sabinar), which are indirectly held at a rate of 50% and 47%, respectively. The Company has projects with a total capacity of approximately 407 megawatts, of which approximately 324 megawatts are connected to the electricity grid and started during the running period and the flow of electricity into the transmission grid (see also Note 17(a)(8)).

Note 1 - General (cont.):

d. The development of the Company's activities in Israel and abroad (cont.):

2. Poland - The Company is active in Poland through the company Electrum Nofar Energy, which is indirectly held at a rate of 72% and deals with the initiation, development, and holding of solar and storage systems. The Company has solar projects with an estimated capacity of approximately 589 megawatts and storage projects with an estimated capacity of approximately 1,400 megawatt hours. See also Note 17(a)(13)).

3. Romania - The Company is active in Romania through the development platform Nofar Energy SRL and the project company Ratesti Solar Plant SRL (Ratesti), which is indirectly held at a rate of 50%. The Company has projects with an estimated capacity of about 782 megawatts, of which a ground project under construction of about 155 megawatts is expected to be completed during 2023. (See also Note 17(a)(10)).

4. United Kingdom - The Company is active in the United Kingdom through the companies Noventum Power Limited (Noventum) and Atlantic Green Ltd. (Atlantic), which are held indirectly at the rates of 80% and 75%, respectively. The companies are engaged in the initiation, development, construction, financing and operation of solar projects, wind projects and storage projects. The companies have an estimated backlog of projects of about 543 megawatts and about 1,018 megawatt hours of storage capacity (see also Note 17(a)(14)).

5. Italy - The Company is active in Italy through the company Sunprime Generation SRL ("Sunprime") which is held indirectly at a rate of 26% and specializes in roof projects with high FIT rates. The Company has projects with a capacity of about 475 megawatts, of which about 47 megawatts are connected or ready to be connected. (See also Note 17(a)(7)).

6. USA - The Company is active in the USA through the company Blue Sky Utility LLC and Blue Sky Utility Holdings LLC (Blue Sky) which is indirectly held at a rate of 67% and is engaged in the initiation, development, licensing, planning, management, construction and holding of solar projects on roofs of commercial buildings and storage systems. It has a capacity of approximately 358 megawatts, of which 14.6 megawatts are connected. (See Note 17(a)(11)).

7. Israel - During the year 2022, the Company increased the scope of connected and ready-to-connect projects in Israel by approximately 62 megawatts, as well as the capacity of behind-the-meter storage systems, which are under construction and nearing construction by approximately 110.2 megawatts. In addition, during the Report Period, the Company received a license to supply electricity and entered the field of electric charging and energy in the public sector, entered into a strategic cooperation agreement with the group Milgam Ltd. regarding the establishment of a partnership that will operate in the production and sale of electricity, through renewable energies, energy storage systems and electricity supply in the public sector, and in the installation and operation of charging stations for electric vehicles. In this framework, the Company was allotted shares in the company Nofar Milgam Energy, which holds 48% of the rights in Milgam E.V. Edge, which is engaged in the establishment and management of charging stations in the public sector (see also Note 17(a)(6)(15) and (17)).

Note 1 - General (cont.):

d. The development of the Company's activities in Israel and abroad (cont.):

8. In parallel with the developments of the Company's development platforms and backlog of projects, the Company is preparing for macroeconomic changes that characterize the field of activity, which include, among other things, restrictions on electricity prices in various European countries, an increase in electricity prices, an increase in inflation, changes and increasing volatility in exchange rates, a shortage of raw materials, an increase in equipment prices and transportation, extensions during the supply and transportation periods of the purchased equipment and changes in financing costs.

   In the various countries and so on, in order to reduce, as much as possible, negative changes, while trying to take advantage of the increase in electricity prices to fix them for as long a period as possible. Naturally, the continued rise in the prices of raw materials, interest rates and inflation may harm the yield of the projects and their profitability, as follows:

a. Limits on electricity prices - on October 6, 2022, the European Union approved temporary regulations (Council Regulation (EU) No. 2022/1854) for the treatment of energy prices, within which it was determined that the member states of the European Union will establish temporary regulations with the aim of reducing electricity consumption and reducing electricity prices. Within the Council Regulation No. 2022/1854, among other things, a maximum price for electricity was proposed (EUR 180 per MWh) until the end of 2023, as well as targets for reducing the volume of consumption (a 5% decrease). In addition, it was proposed that the member states of the Union would use the surplus revenues from limiting electricity prices to support consumers affected by the increase in electricity prices and to reduce the volume of electricity consumption. Based on Council Regulation No. 2022/1854, the member states of the Union were asked to establish provisions regarding the limitation of electricity prices.

   1. Poland - In the months of October and November 2022, temporary legislation was adopted in Poland until December 31, 2023, which stipulated, among other things, that certain electricity producers would be required to transfer a certain amount of revenue from the sale of electricity to a designated fund ("the designated fund"). As part of the decision, it was determined that by this date, wind and solar electricity producers will be required to transfer the difference between the total income and a tariff of PNL 295 per MWh for wind and PNL 355 per MWh for solar to the dedicated fund. To the best of the Company's knowledge, as of the Report Date, this limit does not apply in relation to projects that sell electricity by virtue of tender procedures (in which the limit is the amount determined in the tender procedure), projects that include financial hedging agreements (in which the limit is the average financial obligation under the agreement) and projects with a capacity of up to 1 megawatt, and so on. In addition, in relation to projects that are sold on the open market, the amount is calculated in accordance with the average price set on each trading day.

   2. Romania - In the months of September to November 2022, a number of temporary legislations designed to reduce electricity prices in Romania were approved. Within the framework of the decisions, among other things, maximum rates were set for the sale of electricity to different types of customers (such as households, hospitals, etc.). A temporary directive (Emergency Ordinance) ("GEO") was also approved, limiting electricity prices for certain electricity producers to 450 RON per MWh until March 25, 2025. It should be noted that to the best of the Company's knowledge as of the Report Date, the limit does not apply to various electricity producers, including electricity producers from renewable energy, such as the Company.

   3. Spain - In 2021 and 2022, temporary instructions in the form of the Royal Decree-Law 17/2021, 23/2021, 6/2022, 10/2022 ("Royal Decree") were enacted, in connection with excess taxation of electricity prices in Europe, in which it was determined that in respect of revenues from the sale of electricity at a rate of EUR 67 per MWh, a tax will be deducted at a variable rate derived from the effect of natural gas-based systems on electricity prices and the maximum gas price used to calculate the tax rate. As of the Report Date, the Royal Decree is valid until December 31, 2023.

Note 1 - General (cont.):

d. The development of the Company's activities in Israel and abroad (cont.):

4. United Kingdom - In December 2022, a decision was approved regarding the application of a special tax on nuclear power producers, from biomass and waste renewable energies, which produce over 50 GWh of electricity per year. According to the proposal, in the period from January 1, 2023 to March 31, 2028, a special tax at the rate of 45% will be applied to revenues of more than GBP 10 million obtained from the sale of electricity at a rate higher than GBP 75 per MWh. The tax does not apply, among other things, to income from CfD, and income from the sale of electricity produced outside the UK.

b. Increase in inflation - The bonds that the Company issued are linked to the consumer price index. Accordingly, an increase in inflation causes an increase in the Company's financing expenses. In addition, in the Company's estimation, the increase in the inflation rate may cause an increase in the construction costs of the projects. However, over the past few months, the Company has been aware of a certain decrease in the prices of panels and converters, and the prices of marine transportation, after the price increase that characterized the years 2021-2022. In addition, some of the Company's electricity rates in Israel are linked to the consumer price index, and the Company estimates that there is a certain correlation between electricity prices on the open market and the changes in the index (both due to the fact that changes in electricity prices are one of the causes of an increase in inflation, as well as due to the fact that the factors for an increase in inflation also cause an increase in electricity prices and due to the fact that electricity prices in different countries are linked to changes in inflation).

c. Interest rate changes - During the Report Period, there was an increase in the interest rates carried by some of the loans taken by the Group companies, which are linked to the base interest rate. In addition, according to the estimates, interest rates in Israel and abroad will continue to rise during the coming year. However, to the best of the Company's knowledge, the estimates of the analysis companies around the world are that in the coming years, with the moderation of inflation and a return to growth, there will be a decrease in interest rates. Since the periods of the projects established by the Group companies are between 20 and 30 years, in the Company's estimation, considering the entire life of the projects, and the assessments of the consulting companies regarding the increase in inflation rates and electricity prices throughout the life of the project, the increase in interest rates will have an immaterial effect on the returns of the projects throughout the period of the projects (20-30 years).

Note 2 - Significant Accounting Policies:

The accounting policy set forth below was implemented in the financial statements consistently in all of the periods presented, unless stated otherwise.

a. Basis of Preparation of the Financial Statements

The financial statements are prepared in accordance with International Financial Reporting Standards (hereinafter: IFRS). Additionally, the financial statements are prepared in accordance with the provisions of the Securities Regulations (Annual Financial Statements), 5770-2010.

The financial statements are prepared on a cost basis, excluding part of the fixed asset items measured based on the revaluation model, assets and financial liabilities (including derivative instruments) presented at fair value through profit or loss, and investments in joint transactions and associates, presented based on the equity method. The financial statements are presented in New Shekels (NIS) and all amounts are rounded to the nearest thousand, unless otherwise stated.

The Company has elected to present the profit or loss details based on the nature of operations method.

b. Operating cycle period

The Company’s operating cycle is up to one year.

c. Consolidated Financial Statements

The consolidated financial statements include the reports of companies over which the Company has control (subsidiaries). Control exists when a company has the power to impact an investee entity, exposure or rights to variable returns as a result of its involvement in the investee entity and the ability to use its power in order to impact the amount of yield determined from the investee entity. In examining control, the impact of potential voting rights is only taken into account if they are real. Consolidation of the financial statements is performed as of the date on which control is obtained and until the control ceases.

The financial statements of the Company and subsidiaries are prepared as of the same dates and for the same periods. The accounting policy in the financial statements of the subsidiaries were applied consistently and in a uniform manner with those applied in the financial statements of the Company. Material mutual transactions and balances and the losses arising from transactions between the Company and the subsidiaries were eliminated in full in the consolidated financial statements.

Non-controlling rights for the subsidiaries represent the equity in the subsidiaries that cannot be directly or indirectly attributed to the Parent Company. The non-controlling rights are presented separately within the capital of the Company. Profit or loss and any component of other comprehensive income are attributed to the Company and to non-controlling rights.

Changes in the holding rate in a subsidiary, which do not lead to a situation of 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 and by deducting/adding consideration paid or received.

d. Acquisition of assets

When purchasing an asset or a group of assets that do not constitute a business, the Company identifies the identifiable individual assets acquired and the liabilities assumed and acknowledges them. The total cost is allocated to the individual identifiable assets and liabilities based on their relative fair value values at the date of acquisition, transaction costs are recognized as a cost reduction. A transaction or event of this type does not create goodwill.

Note 2 - Significant Accounting Policies (cont.):

e. Investment in associates and joint transactions

Associated companies are companies in which the Company has significant influence, but not control (power to participate in decisions that does not amount to control). The investment in an associated company is presented on an equity basis. When the Company has an agreed contractual sharing of control of the arrangement, according to which decisions regarding the relevant activities of the arrangement require unanimous agreement of the parties that share control, the Company has joint control in the same arrangement. When the Company has a right to the net assets of a joint arrangement, the Company classifies the arrangement as a joint transaction. The Company handles a joint transaction using the equity method.

f. Investments accounted for using the equity method

Initial investments in associates, at the time of the establishment of the project corporations, including shareholder loans, are accounted for according to the equity method, since they form part of the partners' investments.

Under the equity method, the investment in the associate is shown at cost plus post-acquisition changes in the Company's share of net assets, including other comprehensive income of the associate. Profits and losses arising from transactions between the Company and the associate company are eliminated according to the holding rate, in the section of the Company's share in the losses of the companies accounted for according to the equity method, net.

The financial statements of the Company and associated company are prepared as of the same dates and for the same periods. The accounting policy in the financial statements of the associated companies were applied consistently and in a uniform manner with those applied in the financial statements of the Company. The equity method is applied until the time the material influence on the Company is lost or their classification as an investment held for sale. When the material influence is lost, the Company measures at fair value any remaining investment in the associate company, and recognizes in profit or loss the difference between the proceeds from the realization of the investment in the associate company and the fair value of the remaining investment and the book value of the investment realized at that time. In addition, the Company reclassifies to profit or loss a proportional part of amounts previously recognized in other comprehensive income, if these amounts were reclassified to profit or loss upon realization of the related assets or related liabilities.

g. Loans that are part of net investment in foreign activity

Loans and other financial balances of the Group vis-a-vis the foreign activity, whose settlement is not planned and which is unlikely to be settled in the foreseeable future, actually constitute part of the Company's net investment in the foreign activity. Exchange rate differences resulting from these items were recognized in other comprehensive income and accumulated in equity.

h. Functional currency, presentation currency

The functional currency is the currency that best reflects the economic environment in which the Company operates and its transactions, is determined separately for each and every company, including a company presented based on the equity method, and its financial position and the results of its operations are measured according to this currency. The financial statements of the foreign activities were translated into the presentation currency of the Company using the following procedures:

1. Assets and liabilities for each statement of financial position were translated according to the immediate exchange rate at the end of that reporting period.

2. Income and expenses for each statement of profit or loss and other comprehensive income were translated according to the average exchange rates.

3. Share capital, capital reserves and other capital transactions were translated according to the exchange rates at the time of their formation.

Note 2 - Significant Accounting Policies (cont.):

h. Functional currency, presentation currency (cont.):

4. The surplus balance is based on the opening balance for the beginning of the reporting period plus transactions translated as stated in Sections 2 and 3 above.
5. The resulting exchange rate differences were recognized in other comprehensive income and accumulated in equity.

The Company's functional currency is the shekel. The presentation currency of the financial statements is NIS.

Transactions, assets and liabilities in foreign currency

Transactions in foreign currency (a currency different from the operating currency) are recorded with the first recognition based on the exchange rate on the transaction date. After the initial recognition, financial assets and liabilities denominated in foreign currency are translated on each reporting date to the functional currency based on the exchange rate of the same date. Exchange rate differences are recognized as profit or loss.

Index-linked financial items

Financial assets and liabilities that are linked based on their terms to changes in the consumer price index in Israel (hereinafter: the "Index") are adjusted based on the relevant index on each reporting date, in accordance with the terms of the agreement.

i. Cash and cash equivalents

Cash equivalents are considered to be investments with high liquidity, including short term deposits in banks that are not limited by pledge, with original maturities of less than three months from the original investment date or more than three months but that can be withdrawn immediately with no fine, and constitute part of the cash management of the Company.

j. Shorts term deposits

Short-term deposits in banking corporations whose original period exceeds three months from the date of investment and which do not meet the definition of cash equivalent. The deposits are presented according to the terms of their deposit.

k. Inventory

Inventory is measured based on the lower of cost or net exercise value. The cost of the inventory includes the expenses for the purchase of the inventory and bringing it to its present location and condition. The net exercise value is an estimate of the sale price during the ordinary course of business, less an estimate of costs for completion and costs required to perform the sale.

l. Income recognition

Income from contracts with customers are recognized as profit or loss when the control of the asset or service is transferred to the customer. The transaction price is the consideration amount 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 income 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 major supplier when it controls a commodity or service promised prior to delivery to the customer. In these cases, the Company recognizes income in the gross amount of the consideration. In cases in which the Company operates as an agent, the Company recognizes income in a net amount, after deducting the amounts owed to the main supplier.

Note 2 - Significant Accounting Policies (cont.):

l. Income recognition (cont.):

Income from service providers are recognized over time, over the period in which the customer receives and consumes the benefit derived by the Company’s performance. The Company collects payments from its customers in accordance with the payment terms agreed upon in specific agreements, while the payments can be made before the provision of the service or after the provision of the service.

Income from execution and construction works

At the time of entering into a contract with a customer, the Company recognizes the construction work as a performance obligation. The Company recognizes income from construction contracts over time. The Company measures the progress on the basis of the costs incurred by the Company in relation to the total projected costs of the project (method based on inputs).

Contractual balances

The Company obligates customers in the event of a performance obligation in accordance with the terms of the contracts with the customers. These charges are presented under the customers section in the Statement of Financial Position. In cases where income is recognized in profit or loss in respect of the fulfillment of a performance obligation and before the customers are charged, the amounts recognized that are unconditional are presented under the Income Receivable section.

Allotment 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 sale price is the price at which the Company would have sold the goods or services promised in the contract separately.

Revenue including warranty services

Under its contracts, 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 warranty does not constitute a separate performance obligation and therefore the Company examines in its financial statements the need to recognize the provision for the warranty in accordance with the provisions of IAS 37.

m. Income tax

The tax results for ongoing or deferred taxes are charged to profit or loss, unless they are attributed to items charged to other comprehensive income or capital.

1. Current taxes

   Liability for current taxes is determined through use of the tax rates and tax laws enacted or the enactment of which was actually completed, until the reporting date, and adjustments required in connection with the tax liability and payment for prior years.

Note 2 - Significant Accounting Policies (cont.):

m. Income taxes (cont.):

2. Deferred taxes

Deferred taxes are calculated for temporary differences between the carrying amounts in the financial statements and the amounts allowable for tax purposes.

Deferred tax balances are calculated at the tax rates expected to apply when the asset is realized or the liability is settled, based on tax laws that are enacted or substantively enacted by the reporting date.

At each reporting date, the deferred tax assets are examined in accordance with their utilization expectations. Transferred losses and withhold-able temporary provisions for which deferred tax assets are not recognized are examined each reporting date, and if they are expected to be used, a suitable deferred tax asset is recognized for them.

In calculating the deferred taxes, taxes are not taken into account that would apply in the case of exercise of the investment in investee companies, when the Company controls on the reversal day of the temporary difference, and as long as the sale of the investments in the investee companies is not anticipated in the foreseeable future. Additionally, deferred taxes were not taken into account for the distribution of profit by the investee companies as divided, since the distribution of dividend does not incur additional tax liability, or due to the company's policy not to initiate the distribution of dividend by the consolidated company that leads to additional tax liability. Deferred taxes are offset if there is a legal right to offset a current tax asset against current tax liabilities and the deferred taxes relate to the same taxable company and the same taxation authority.

n. Leases (International Financial Reporting Standard 16 - IFRS 16)

The Company treats the contract as a lease when in accordance with the terms of the contract a right is transferred to control an identified property for a period of time for consideration.

1. Lease transactions:

For transactions in which the Company constitutes a lessee, it recognizes at the commencement of a lease on the property a right of use against an obligation 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 decided to recognize the lease payments as an expense in profit or loss in a straight line over the lease period. As part of the measurement of the liability in respect of a lease, the Company chose to apply the relief provided in the standard and did not make a separation between lease components and non-lease components such as: management services, maintenance services, and more, included in the same transaction.

On the start date, the lease undertaking includes all of the lease payments not yet paid, capitalized at the interest rate inherent in the lease when it can be easily determined or the Company's incremental interest rate. After the commencement date, the Company measures the liability in respect of a lease using the effective interest method.

The right of use asset at the commencement date is recognized in the amount of the liability in respect of a lease plus lease payments paid on or before the commencement date and plus transaction costs incurred.

Note 2 - Significant Accounting Policies (cont.):

n. Leases (International Financial Reporting Standard 16 - IFRS 16) (cont.):

The right of use asset is measured in the cost model and reduced over its useful life, or the lease term, whichever is shorter.

The Company applies the Standard for the roofs of buildings or reservoirs, which it leases and on which it builds photovoltaic facilities, as well as for its offices and the Company's leasing vehicles.

When signs of impairment occur, the Company examines an impairment of the right of use asset in accordance with IAS 36.

2. Index-linked lease payments

At the commencement date, the Company uses the existing index rate at the commencement date for the purpose of calculating future lease payments.

In transactions in which the Company constitutes a lessee, changes in the amount of future lease payments as a result of a change in the index (without a change in the discount rate applicable to the liability in respect of lease) are capitalized to the balance of the liability for the lease and are charged as an adjustment to the balance of the right of use asset, only when a change occurs to the cash flows arising from a change in the index (in other words, when the coordination to the lease payments comes into force).

3. Variable lease payments

Variable lease payments that are based on execution or use and do not depend on the index or interest rate are recognized as an expense in transactions where the Company is a lessee and as income in transactions where the Company is a lessor, at the time of their formation.

o. Fixed assets

Fixed asset items are presented at cost (other than photovoltaic systems, which are measured based on the revaluation model) in addition to direct purchase costs, less accumulated depreciation, less losses from impairment accumulated and do not include ongoing maintenance expenses. The cost includes replacement parts and auxiliary equipment used by the fixed assets.

Components of a fixed asset item that have a significant cost in relation to the total cost of the item are depreciated separately, according to the components method.

Depreciation is calculated in equal annual rates on a straight-line basis over the useful life of the asset, as follows:

	Depreciation rate
Photovoltaic facilities	4%
Office furniture and equipment	10%
Computers	33%
Vehicles	15%

Note 2 - Significant Accounting Policies (cont.):

o. Fixed assets (cont.):

Leasehold improvements are depreciated over the shorter of the useful life of the improvement and the lease term.

The useful life, depreciation method and residual value of an asset are reviewed at least at each year-end and changes are treated as a change in an accounting estimate prospectively-forward. Amortization of assets ceases at the earlier of the date on which the asset is classified as held for sale and the date that the asset is derecognized.

The revaluation of photovoltaic systems is charged to the revaluation fund shown in capital, through other comprehensive income minus the tax impact. A revaluation fund is transferred directly to surplus when the asset is depreciated, and also during the use of the asset according to the rate of its depreciation.

Revaluations are performed regularly, once every three to five years, in order to make sure that the balance in the financial statements does not differ substantially from the value that would have been determined according to the fair value on the reporting date.

At the revaluation date, the gross book value was adjusted in a way that is consistent with the revaluation of the property.

Impairment of a revalued asset is credited directly to other comprehensive income, up to the amount where there is a credit balance in the revaluation fund for the same asset. Additional impairment, if any, is charged to profit or loss. An increase in the value of an asset as a result of revaluation is recognized in profit or loss up to the amount by which it eliminates a decrease previously recognized in profit or loss. Any further increase thereafter is credited to the revaluation fund through other comprehensive income.

p. Impairment of non-financial assets

At the end of each reporting period, the Company examines whether there are signs indicating a decline in the value of non-monetary assets (with the exception of inventory, assets arising from construction contracts, deferred tax assets), which require an examination for impairment.

For the purpose of examining the impairment of a non-goodwill asset, the Company calculated the recoverable amount of the asset. When the recoverable amount is lower than the asset's book value, the Company recognized an impairment loss and reduced the book value of the property to its recoverable amount. The Company recognized immediate impairment losses in profit or loss, unless the asset is a revalued fixed asset, according to the revaluation model, then the loss is accounted for as a reduction in the revaluation (see Note 2(n) above).

If it was not possible to estimate the recoverable amount of a single asset, the Company calculated the recoverable amount of the cash-generating unit to which the property belongs. For the purpose of examining for impairment, goodwill was assigned from the date of purchase to each of the cash-generating units that are expected to benefit from the synergy of the business combination. When the Company recognizes an impairment loss of a cash-generating unit, the Company allocates the impairment loss to a reduction in the book value of the unit's assets, first against the goodwill assigned to the unit, and then to the other assets proportionally based on their book value (subject to their recoverable amount).

Note 2 - Significant Accounting Policies (cont.):

p. Impairment of non-financial assets (cont.):

The Company evaluates at the end of each reporting period if there are signs indicating that an asset's impairment loss, which was recognized in previous reporting periods, no longer exists or has been reduced. When there are signs as mentioned, the Company calculates the recoverable amount of the asset. The Company canceled an asset's impairment loss only if there were changes in the estimates used to calculate the recoverable amount of the property from the date on which the impairment loss was most recently recognized. Reversing the impairment loss increased the asset's book value to the lower of its recoverable amount and book value that would have been determined (minus depreciation or amortization) if no impairment loss had been recognized in the previous reporting periods. Reversal of an impairment loss of a cash-generating unit was allocated to the unit's assets in proportion to their book value and treated as Similar, with the exception of goodwill, a loss due to a significant decrease in the value of goodwill in later periods.

Reversal of an impairment loss is recognized immediately in profit or loss, unless the asset is a fixed asset that has been revalued according to the revaluation model, in which case the reversal is treated as an increase in the revaluation.

q. Intangible asset

Recognition and measurement:

An intangible asset is initially recognized at cost including costs that can be directly attributed to the acquisition of the intangible asset. The cost of an intangible asset is an amount equivalent to the cash price at the time of recognition. An outlay for an intangible item, which was first recognized as an expense, will not be recognized as part of the cost of an intangible asset at a later date. An intangible asset acquired in a business combination was first recognized according to its fair value at the time of purchase.

In periods after initial recognition: an intangible asset, with the exception of an intangible asset with an indefinite useful life and with the exception of goodwill, is shown at cost less accumulated depreciation and less accumulated impairment losses; an intangible asset with an indefinite useful life is shown at cost less accumulated impairment losses and is not amortized; goodwill resulting from business combinations and the acquisition of rights in joint activities whose activities constitute a business is measured at the amount recognized at the time of acquisition, less accumulated losses from impairment.

The amortization period and the amortization method

The Company assesses for each intangible asset whether its useful life is definite or indefinite (that is, based on an analysis of all relevant factors, there is no apparent limit to the period during which the asset is expected to generate positive net cash flows for the Company). The Company examines, at the end of each financial year, whether it is possible to support the assessment that the useful life of the asset is indefinite. Changes in the Company's assessment will be treated as a change in accounting estimate.

Note 2 - Significant Accounting Policies (cont.):

q. Financial Instruments

The accounting policy that is applied:

Financial assets

Financial assets are measured at the date of first recognition at their 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 business model of the Company for management of the financial asset, and

b. Contractual cash flow characteristics of the financial asset.

The Company measures debt instruments at depreciated cost, while the Company's business model is the holding of financial assets in order to collect contractual cash flows; and the contractual terms of the financial assets provide entitlement at specified dates to cash flows 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 at amortized cost, using the effective interest method, less a provision for impairment.

Impairment of financial assets

The Company examines on each reporting date the provision for loss in respect of financial debt instruments that are not measured at fair value through profit or loss. The Company distinguishes between two situations of recognition of the provision for loss;

a. Debt instruments that have not significantly deteriorated in the quality of their credit since the date of first recognition - the provision for loss recognized for this debt instrument will take into account projected credit losses within a period of 12 months after the reporting date, or;

b. Debt instruments that have had a significant deterioration in the quality of their credit since the date of their first recognition, the provision for a loss that will be recognized will take into account projected credit losses - throughout the life of the instrument.

The Company has financial assets with short credit periods such as customers, for which it applies the lenient approach provided in the standard, i.e. the Company measures the provision for loss in an amount equal to projected credit losses throughout the life of the instrument.

Impairment in respect of debt instruments measured at a reduced cost will be recognized in profit or loss against a provision.

The Company applies the leniency established 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 time of reporting that the instrument has a low credit risk, for example when the instrument has an external rating of "investment grade".

Note 2 - Significant Accounting Policies (cont.):

q. Financial instruments (cont.):

Derecognition of financial assets

The Company derecognizes financial assets when and only when:

a. The contractual rights to the cash flows from the financial asset have expired, or

b. The Company transfers substantially all risks and benefits arising from the contractual rights to receive cash flows from the financial asset or when some of the risks and rewards on transfer of the financial asset remain with the Company but it can be said to have transferred control of the asset.

c. The Company retains the contractual rights to receive the cash flows arising from the financial asset, but assumes a contractual obligation to pay these cash flows in full to a third party, without any material delay.

Financial liabilities:

a. Financial liabilities measurements at amortized cost

At the date of first recognition, the Company measures the financial liabilities at fair value less transaction costs that can be directly attributed to the issuance of the financial liability. After initial recognition, the Company measures all financial liabilities at the reduced cost using the effective interest method.

b. Financial liability measured at fair value through profit or loss

At the date of initial recognition, the Company measures financial liabilities that are not measured at amortized cost at fair value when transaction costs are recognized in profit or loss.

After initial recognition, changes in fair value are recognized in profit or loss.

Warrants given to third parties to purchase the Company's share in associates were recognized as financial derivatives in the Company's financial statements. Financial derivatives are measured at fair value through profit or loss.

c. Derecognition of financial liabilities

The Company derecognizes a financial liability when and only when, it is cleared - that is, when the obligation defined in the contract is repaid or terminated or expires. A financial liability is cleared when the debtor repays the liability by payment 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 in the terms of an existing financial liability or the replacement of a liability with another liability with materially different terms, between the company and the same lender, the transaction is treated as a derecognition of the original liability and recognition of a new liability. The difference between the balance of both of the above liabilities in the financial statements is charged to profit or loss. In the event of a non-material change in the terms of an existing liability or the replacement of a liability with another liability with terms that do not differ materially, between the Company and the same lender, the Company updates the amount of the liability, i.e. discounting the new cash flows at the original effective interest rate, when the difference is charged to profit or loss.

Note 2 - Significant Accounting Policies (cont.):

r. Measurement of fair value

Fair value is the price that would be received in the sale of the asset or the price that would be paid for the transfer of the undertaking in an ordinary transaction between participants in the market on the measurement date.

The measurement of fair value is based on the assumption that the transaction occurs in the main market of the asset or liability, or in the absence of a main market, in the most advantageous market.

The fair value of an asset or liability is measured through use of assumptions that market participants would use when pricing the asset or liability, assuming that participants in the market operate in favor of their economic interests.

Measurement of fair value for a non-financial asset takes into account the ability of a participant in the market to produce economic benefits through the asset with its optimal use or by its sale to another participant in the market that will use the asset optimally. The Company uses valuation techniques that are suitable for the circumstances and for which there is sufficient data that can be overseen in order to measure fair value, with maximum use of the observable relevant data and the minimal use of data that is not observable.

All of the assets and liabilities measured at fair value or that can be disclosed for their fair value are divided into categories within the rating of the fair value, based on the lowest level of data that is significant to the measurement of the fair value generally:

Level 1: quoted prices (unadjusted) in an active market of same assets and liabilities.

Level 2: data that is not quoted prices included in level 1, which is observable, directly or indirectly.

Level 3: Data that is not based on observable market information (valuation techniques without use of observable market data).

s. Provisions

A provision in accordance with IAS 37 is recognized when the Company has a present obligation (legal or constructive) as a result of an event that occurred in the past, is expected to require use of financial resources in order to clear the obligation and may be measured reliably. When the Company expects that some or all of the expenses are returned to the Company, such as an insurance agreement, the return will be recognized as a separate asset only on the date on which there is practical certainty of receipt of the asset. The expenses will be recognized in the income statement net of reimbursement of the expense.

t. Sectors of activity

The Company's segmental reporting format was prepared in accordance with the way in which the information is presented to the Company's main operational decision maker.

The reports submitted to the Company's chief operational decision-maker, for the purpose of resource allocation and performance evaluation, reflect the Company's total revenues and its share of the revenues of the associates in electricity production, of all generating facilities held by the Company (directly and/or indirectly), by way of proportional consolidation, using the project EBITDA index calculated as the aggregate amount of the gross profit (revenues from electricity production minus operating and maintenance costs), according to the amounts included in the financial statements of the project corporations.

Note 2 - Significant Accounting Policies (cont.):

u. Profit (loss) per share

Profit per share is calculated by the division of the net profit attributed to the shareholder of the Company by the weighted number of ordinary shares that actually existing during the period.

v. Employee benefits

Short term employee benefits

The Company classified the benefit as a short-term employee benefit when the benefit is expected to be settled in full 12 months before the end of the annual reporting period in which the employees provide the service in question. Short-term employee benefits include salaries, convalescence fees, sick days and national insurance contributions. 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 are from the employee. When a Company has a legal or implied obligation that can be reliably assessed to provide grants to employees, the Company acknowledges this obligation at the time when the commitment arose.

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 is obligated to pay compensation to employees who are fired, or retire from their jobs, and under certain conditions to employees who resign. The Company's obligations to pay compensation to the Company's employees in accordance with Section 14 of the Severance Compensation Law and the compensation component that the Company is obligated to deposit for the benefit of the employee, accounted for 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, according to the amount to be deposited together with receipt of labor services from the employee.

w. Share based payment

The Company recognized share-based payment transactions, among other things, for the purchase of goods or services. These transactions include transactions with employees that will be settled with the Company's capital instruments, such as shares or stock options. Regarding share-based payment transactions for employees settled with equity instruments, the value of the benefit is measured at the time of grant with reference to the fair value of the equity instruments granted. The benefit value of share-based payment transactions is recognized in profit or loss, unless the expense is included in the cost of an asset, against a capital reserve over the vesting period based on the best obtainable estimate of the number of equity instruments expected to mature.

x. Hedge accounting

The Company designates certain derivative instruments as hedging instruments in fair value hedging and cash flow hedging and net investment hedging in foreign operations. At the time of creating the hedging relationship, the Company documents the hedging ratios and the purpose of risk management and the strategy for carrying out the hedging. The documentation includes identification of the hedging instrument and the hedged item, the nature of the hedged risk and the manner in which the Company examines whether the hedging relationship meets the requirements for hedging effectiveness as follows:

- There is an economic relationship between the hedged item and the hedged instrument.
- The effect of credit risk is not more dominant than the value changes resulting from this economic relationship.
- The hedge ratio of the hedging ratios is the same as the ratio resulting from the quantity of the hedged item

Note 2 - Significant Accounting Policies (cont.):

X. Hedge accounting (cont.):

that the Company actually hedges and the quantity of the hedging device that the Company actually uses to hedge said quantity of the hedged item.

- If hedge ratios cease to meet the hedging effectiveness requirement that relates to the hedge ratio, but the risk management objective for the designated hedge ratios remain unchanged, the Company rebalances: adjusting the hedge ratio of the hedge ratios so that they again meet the criteria of the effectiveness requirement.
- The Company ceases hedge accounting from here on out only when the hedge ratios ceases to meet the criteria for hedge accounting (after taking rebalancing into account), including when the hedging instrument expires or is sold, canceled or exercised.

The effective part of the changes in fair value of derivatives intended for cash flow hedging was recognized in other comprehensive income and accumulated in equity. The ineffective part of the above fair value change was recognized in profit or loss. Amounts recognized in other comprehensive income are reclassified to profit or loss as an adjustment for reclassification in the periods during which the projected cash flows that were hedged affect profit or loss, with the exception of a loss amount that is projected to not be settled in a future period which is immediately classified to profit or loss as an adjustment for reclassification. Regarding cash flow hedges of forecast transactions, which subsequently result in the recognition of a non-financial asset or a non-financial liability, amounts recognized in the cash flow hedge fund will be included directly in the initial cost of the hedged item without impact on other comprehensive income. This transfer is not an adjustment for reclassification.

y. 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, excluding 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 profit or loss.

Note 2 - Significant Accounting Policies (cont.):

z. Proactive change in accounting policy

The Company implemented a change in accounting policy regarding the presentation of the reports on profit and loss and other comprehensive income.
As part of the change, the Company presents the income from the tax partner that was previously presented as part of the other income section and the Company's share of the profits of associates according to the equity method as part of the Company's income group. In addition, the Company decided to drop the gross profit line, which does not add relevant information to the nature of the Company's activity. In the Company's opinion, the aforementioned changes adequately reflect the economic essence and the management's approach as reflected in the clarification of sectors and the way in which the Company examines its performance and which will provide a clearer presentation in line with the other renewable energy companies.

The Company applied the new accounting policy retroactively.

Note 3: - Significant considerations, estimates and assumptions in the preparation of the financial statements:

In the process of applying the main accounting policies in the financial statements, the Company used discretion and weighed the considerations regarding the following matters which have a substantial impact on the amounts recognized in the financial statements:

a. 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 substantive, the right holder must have the practical ability to exercise the right. Determining whether the rights are substantive requires discretion while taking into account the facts and circumstances. As of the date of the Company's financial statements, there are a number of investee companies at varying holding rates, for which the partner has an option to purchase shares of the investee company so that it will leave the Company at various lower holding rates. In the Company's estimation, the options are substantive because it is in the money and can be exercised immediately. Therefore, these corporations were not consolidated and treated in accordance with the equity method.

Significant effect

For the purpose of examining a significant effect 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 associates. This determination requires discretion while taking into account the facts and circumstances.

b. Estimates and assumptions

Upon the preparation of the financial statements, the management is required to use estimates and assumptions that impact the implementation of the accounting policy and the reported amounts of assets, liabilities, income and expenses. Changes to the accounting estimates are recognized in the period in which the change of the estimate took place.

The following are the main assumptions used in the financial statements in connection with the uncertainty as of the reporting date and the critical estimates calculated by the Company, and for which a substantial change to 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 mainly according to the method of discounting the unleveraged future cash flows generated from 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 material impact on the updated valuation of systems connected in previous periods, and the fair value is measured when they are connected to the grid. As material differences are discovered, the fair values 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 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 discretion, and therefore changes to assumptions used in determining the fair value may significantly affect the fair value of the fixed assets.

Note 3: - Significant considerations, estimates and assumptions in the preparation of the financial statements (cont.):

b. Estimates and assumptions (cont.)

Deferred tax assets

Deferred tax assets are recognized for losses transferred for tax purposes and for deductible temporary provisions that are not yet used, in the event that future taxable income is expected against which they may be used. An estimate of the management is required in order to determine the deferred tax asset amount that can be recognized based on the timing, expected taxable income amount, source and the tax planning strategies.

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 expected value method or the most likely amount method.

c. Exchange rates and linkage basis:

1. Balances in foreign currency, or those linked to it, are included in the financial statements according to the representative exchange rates as of the balance sheet date.
2. The balances linked to the Consumer Price Index in Israel (hereinafter - the "Index") are shown according to the last known index on the balance sheet date (Known Index) or according to the index for the last month of the reporting period (Base Index), according to the terms of the transaction.
3. Below are data on exchange rates and the index:

	December 31, 2022	December 31, 2021	December 31, 2020
Consumer price index (in points):			
Based on Base Index	108.0	102.6	99.8
Based on Known Index	107.7	102.3	99.9
US dollar (in NIS for 1 dollar)	3.5190	3.1100	3.2150
Pound sterling (in NIS for 1 pound)	4.2376	4.2031	4.3919
EUR (in NIS for 1 euro)	3.7530	3.5199	3.9441

	For year ending on		
	December 31, 2022	December 31, 2021	December 31, 2020
	%	%	%
Consumer price index:			
Based on Base Index	5.26	2.80	(0.69)
Based on Known Index	5.28	2.40	(0.60)
USD	13.15	(3.27)	(6.97)
Pound Sterling	0.82	(4.30)	(3.68)
Euro	6.62	(10.76)	1.70

Note 4 - Disclosure of new IFRS standards in period prior to their adoption:

Below is information regarding amendments to standards that have been published but have not yet entered into force, which may affect the Company's financial statements when they are first implemented. Unless stated otherwise, any amendment specified below can be implemented early, with disclosure thereof, and the Company plans to adopt it for the first time on its mandatory start date.

1. Classification of liabilities as current or non-current and non-current liabilities with financial standards - Amendments to International Accounting Standard 1 "Presentation of Financial Statements" (hereinafter collectively: "Amendments to IAS 1"):

The amendments regarding the classification of liabilities as current or non-current were published in January 2020 (hereafter: the "Amendments from January 2020") in order to clarify the classification of liabilities in the statement of financial position, as current or non-current. In addition, the amendments regarding non-current liabilities with financial benchmarks were published in October 2022 (hereinafter: the "Amendments from October 2022") with the aim of improving the information a company provides regarding liabilities arising from loan arrangements for which a company's right to postpone the settlement of liabilities at least 12 months after the reporting period is subject for the company to comply with specific conditions contained in these arrangements (hereinafter: "Financial Benchmarks") and as a response to concerns from users regarding the results of the implementation of the amendments from January 2020.

Below is an overview of the main amendments to IAS 1:

- The right to postpone the settlement of the obligation for at least 12 months after the reporting period must exist at the end of the reporting period. The company's right to postpone the settlement of the obligation arising from the loan arrangement, for at least 12 months after the reporting period, may be subject to the company meeting financial benchmarks. Such financial benchmarks:
- Will affect the question of whether this right exists at the end of the reporting period, if the company is required to meet the financial standards at the end of the reporting period or before it, even if compliance is examined after the reporting period.
- Will not affect the question of whether this right exists at the end of the reporting period, if the company is required to meet the financial standards only after the reporting period .
- The classification criterion resulting from the existence of a right to postpone settlement for at least 12 months after the reporting period is not affected by the management's intentions or expectations for the exercise of the right or the actual settlement of the obligation during the 12 months after the reporting date.
- "Settlement" for the purposes of classifying liabilities as current or non-current refers to a transfer to a counterparty that results in the cancellation of the liability which includes the transfer of cash or other economic resources such as goods or services, or of capital instruments, unless it is an obligation to transfer capital instruments resulting from a debt conversion option in equity, which is classified as an equity instrument and is recognized separately from the liability as an equity component of a complex financial instrument.
- Disclosure instructions relating to the settlement after the reporting period of liabilities classified as non-current were added, as well as information that will allow users of the financial statements to understand the risk that liabilities - arising from loan arrangements classified as non-current, when the company's right to postpone settlement of these liabilities is subject to compliance with financial benchmarks during 12 months after the reporting period - will be repayable during that period.

The amendments to IAS 1 will be applied retrospectively, starting with annual periods beginning on or after January 1, 2024.

The Company is examining the possible impact of the amendments to IAS 1 on the financial statements, but at this stage is unable to assess such an impact.

Note 4 - Disclosure of new IFRS standards in period prior to their adoption (cont.):

2. Amendment to International Accounting Standard 1 Presentation of Financial Statements - Disclosure of Accounting Policy (hereinafter: the "Amendment to IAS 1"):

The amendments to IAS 1 published in February 2021 require entities to disclose information about material accounting policies instead of significant accounting policies. In addition, guidelines and examples were added to explain and demonstrate the process of determining materiality by amending the IFRS Practice Statement 2, Making Materiality Judgments.

Below is an overview of the main amendments:

- The entity is required to disclose information about material accounting policies instead of significant accounting policies.
- It was clarified that information about accounting policies is material if, together with other information included in the financial statements, it can reasonably be expected to influence the decisions that the main users of the financial statements make on the basis of those reports.
- It was clarified that information about accounting policies related to transactions, events or other situations that are not material, is not material and does not need to be disclosed. Information about accounting policies may nevertheless be material due to the nature of the transactions, events or other related situations, even if the amounts are immaterial. Nevertheless, not all information about accounting policies related to transactions, events or other material situations is material in itself.
- It was clarified that information about accounting policies is material if users of an entity's financial statements will need it to understand other material information in the financial statements, and examples of such situations were added.
- It was clarified that information about accounting policy that focuses on how to apply the international financial reporting standards to the specific circumstances of the entity, is more relevant to the users of the financial statements than standard information, or information that copies or summarizes the requirements of the standards.
- It was clarified that if an entity gives a disclosure about an immaterial accounting policy, it must be ensured that this information does not overshadow information about a material accounting policy.
- When an entity concludes that information about accounting policies is immaterial, this does not affect related disclosures detailed in other standards.

The amendments to IAS 1 will be implemented on a rolling basis starting from the annual period beginning on January 1, 2023.

The impact of the amendments to IAS 1 is expected, if at all, on the notes to the accounting policy.

Note 4 - Disclosure of new IFRS standards in period prior to their adoption (cont.):

3. Amendment to International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates (hereinafter: "Amendments to IAS 8"):

The Amendments to IAS 8 published in February 2021 are intended to help entities distinguish between a change in accounting policy and a change in accounting estimate. Below is an overview of the main amendments to IAS 8:

- The definition of accounting estimate change was replaced by the definition of accounting estimates which are financial amounts in the financial statements whose measurement is subject to uncertainty.
- It was clarified that an entity develops accounting estimates in order to achieve the goals set in the accounting policy.
- It was clarified that an entity uses measurement techniques and data to develop an accounting estimate. Measurement techniques include estimation techniques (e.g., techniques used to measure expected credit losses) and valuation techniques (e.g., techniques used to measure the fair value of an asset or liability).
- It was clarified that the term estimate does not only refer to the definition of accounting estimates, it may also refer to the data used in the development of accounting estimates.
- It was clarified that changes in data or measurement techniques are changes in accounting estimates unless they result from the correction of errors in previous reporting periods.

The Amendments to IAS 8 will be applied to changes in accounting estimates and changes in accounting policies that will occur starting from the annual period beginning on January 1, 2023.

4. Amendments to International Accounting Standard 12 Income Taxes - Deferred tax related to assets and liabilities arising from a single transaction (hereinafter: "Amendments to IAS 12"):

The Amendments to IAS 12 published in May 2021 are intended to reduce the scope of exceptions for the recognition of deferred taxes when an asset or liability is first recognized. Below is an overview of the main amendments to IAS 12:

For exceptions to the recognition of deferred taxes arising from the initial recognition of an asset or a liability in a transaction that is not a business combination; and at the time of the transaction, does not affect the accounting profit nor does it affect the taxable income (the loss for tax purposes), an cumulative condition is added according to which it is required that during the transaction they also do not create taxable temporary differences and are deductible in the same amount. For example, at the start of a lease, the lessee generally recognizes a lease liability against the cost of a right-of-use asset. Subject to tax laws, upon first recognition of an asset and a liability, temporary differences may arise that are taxable and deductible in the same amount. In light of the amendment made, the exclusions in Sections 15 and 24 of IAS 12 do not apply to these temporary differences and the entity recognizes a deferred tax liability and asset arising from the transaction given the tax laws in each country. The Amendments to IAS 12 will be applied starting with annual periods beginning on or after January 1, 2023 or thereafter. For lease transactions and liquidation and rehabilitation liabilities and similar liabilities, starting from the beginning of the earliest comparative period presented, the Company will recognize a deferred tax asset to the extent that it is expected that there will be taxable income against which a deductible temporary difference can be utilized and in a deferred tax liability when the cumulative effect will be recognized in excess at that time (or in another component of the capital, as the case may be). For all other transactions, the amendments will be applied on a rolling basis to transactions that occurred in or after the earliest comparative period presented.

Note 4 - Disclosure of new IFRS standards in period prior to their adoption (cont.):

5. Amendments to International Financial Reporting Standard 16 Leases - Sale and Leaseback Commitments (hereinafter: "Amendments to IFRS 16"):

   The Amendments to IFRS 16 published in September 2022 are intended to exclude the accounting treatment in the subsequent measurement of a lease obligation arising from a sale and leaseback transaction in the reports of a seller-lessee from the treatment of another lease transaction.

   Below is an overview of the main amendments to IFRS 16:

   After the commencement date, the seller-lessee shall apply the requirements for subsequent measurement in the standard for the right-of-use asset resulting from the leaseback and the requirements for subsequent measurement in the standard for the lease liability resulting from the leaseback. In applying the subsequent measurement requirements in the standard to the liability, the seller-lessee will determine "lease payments" or "amended lease payments" such that the seller-lessee will not recognize any amount of profit or loss relating to the right of use remaining in the hands of the seller-lessee. Application of these requirements will not prevent the seller-lessee from recognizing any profit or loss related to the full or partial termination of a lease.

   The amendments to IFRS 16 will be applied retrospectively to sale and leaseback transactions entered into by the Company after the date of initial application of IFRS 16, beginning with annual periods starting on or after January 1, 2024.

   The Company is examining the possible impact of the amendments to IFRS 16 on the financial statements, but at this stage is unable to assess such an impact.

Note 5 - Cash and cash equivalents:

	As of December 31	
	2022	**2021**
	NIS thousands	
Israeli currency	31,471	162,488
In foreign currency	117,168	328,679
Deposits in Israeli currency (1)	59,519	413,178
Foreign currency deposits (2)	29,707	-
	237,865	**904,345**

(1) Shekel deposits at a fixed annual interest rate of 3%-3.7%.

(2) Deposits main in pound sterling currency a fixed annual interest rate of 3%.

Note 6 - Deposits from bank corporations and others:

a. Shorts term deposits:

	As of December 31	
	2022	**2021**
	NIS thousands	
Deposits in Israeli currency (1)	141,735	161,025
Foreign currency deposits (2)	357,026	-
	498,761	**161,025**

(1) Shekel deposits at a fixed annual interest rate of 3%-3.7%.

(2) Deposits main in US dollars currency a fixed annual interest rate of 5.5%.

b. Long term deposits:

	As of December 31	
	2022	**2021**
	NIS thousands	
Deposits in Israeli currency	343	5,530
Foreign currency deposits (1)	35,426	-
	35,769	**5,530**

(1) Deposits mainly in US dollars currency.

Note 7 - Customers:

	As of December 31	
	2022	2021
	NIS thousands	
Open debts	23,304	12,229
Checks for collection	-	1,007
Related parties	63,897	100,999
Doubtful debts	(285)	(246)
Income receivable (*)	163,283	120,480
	250,199	**234,469**

(*) For more details regarding balances related to related parties, see Note 31.

Note 8 - Accounts receivable:

	As of December 31	
	2022	2021(*)
	NIS thousands	
Expenses in advance	29,159	14,478
Government institutions	8	1,639
Other receivables	763	2,610
Advances to suppliers	27,504	2,848
	57,434	**21,575**

(*) Retrospective coordination of the temporary amounts recognized - see Note 13(2).

Note 9 - Investments in investee companies accounted for using the equity method:

a. Further to Note 1 above, in Israel the Company contracts with third parties (mostly kibbutzim and moshavim), in an agreement to establish a joint corporation held in agreed percentages. The Company is building photovoltaic facilities for the joint corporation. The financing of the facility is done partly by a shareholder loan and the rest by a bank loan. The income of the joint corporation is from the production of electricity.

b. Abroad, the Company operates through local partnerships held by the Company in various holding rates, as well as companies fully owned by the Company.

	As of December 31	
	2022	2021
	NIS thousands	
Opening balance	398,032	126,605
Additional investments during the year	605,274	261,653
Profit from gaining control	196,731	-
Excess cost	40,271	-
Loans given during the year (1)	365,835	-
The Company's share of profits (losses)	9,371	(211)
Obtaining control of an associate	(685,706)	-
Translation differences	16,879	(23,258)
Share in revaluation of fixed assets capital reserve (2)	12,732	33,243
	959,419	**398,032**

For the details of the corporations held by the Company as of the Report Date, see the appendix.

(1) The loans carry an annual interest rate of 6-7%.

(2) In connection with photovoltaic systems measured at fair value, the fair value is measured at the time each system is connected to the electricity grid, in accordance with the forecast of cash flows and the discount rate of 7.5% (2021- 4.8%) which is determined based on market price analysis. As of the Report Date, the Company performed a new valuation for all systems.

Note 9 - Investments in investee companies accounted for using the equity method (cont.):

c. Composition of investments:

	As of December 31	
	2022	2021
	NIS thousands	
Investments in Israel	368,325	123,300
Noy-Nofar Renewable Energies Europe, Limited Partnership	-	241,232
Ratesti Solar Plant SRL	187,101	33,500
Electrum Nofar Energy Spzoo	97,360	-
Sunprime Generation SRL	306,633	-
	959,419	**398,032**

d. Additional information regarding corporations held according to the equity method:

The following is additional information regarding the aggregate financial position and the aggregate operations of the joint ventures in Israel and abroad (without adjustment to the percentages of ownership held by the Company):

1. In the Statement of Financial Position as of the Report Date

	As of December 31	
	2022	**2021**
	NIS thousands	
Current assets	323,289	227,967
Non-current assets	2,586,286	815,235
Current liabilities	(345,643)	(171,243)
Non-current liabilities	(2,284,900)	(768,480)
Capital attributed to shareholders of the Company	(279,032)	(103,479)

2. Results of the joint ventures' operations

	For the year ending December 31		
	2022	**2021**	**2020**
	NIS thousands		
Income	138,413	91,540	42,477
Profit for the year	18,773	15,935	4,405
Comprehensive profit for the year	27,487	41,519	73,431

Note 10 - Right-of-use Asset and Liability

a. Information regard right of use assets:

	Land and roofs	Office building	Vehicles	Total
	NIS thousands			
Cost:				
Balance as of January 1, 2022	62,215	2,663	2,790	67,668
Entry into consolidation	115,258	-	-	115,258
Additions	18,618	8,910	3,029	30,557
Adjustments arising from the translation of financial statements for foreign operations	3,625	-	-	3,625
Index effect	1,037	887	574	2,498
Balance as of December 31, 2022	200,753	12,460	6,393	219,606
Accumulated depreciation:				
Balance as of January 1, 2022	2,298	651	600	3,549
Additions	2,810	1,031	1,403	5,244
Entry into consolidation	6,151	-	-	6,151
Balance as of December 31, 2022	11,259	1,682	2,003	14,944
Depreciated cost as of December 31, 2022	**189,494**	**10,778**	**4,390**	**204,662**

	Land and roofs	Office building	Vehicles	Total
	NIS thousands			
Cost:				
Balance as of January 1, 2021	21,130	2,274	-	23,404
Entry into consolidation	29,764	-	-	29,764
Additions	14,316	329	2,667	17,312
Disposals	(2,414)	-	(30)	(2,444)
Adjustments arising from the translation of financial statements for foreign operations	(1,337)	-	-	(1,337)
Index effect	756	60	153	969
Balance as of December 31, 2021	62,215	2,663	2,790	67,668
Accumulated depreciation:				
Balance as of January 1, 2021	837	340	-	1,177
Additions	1,639	311	600	2,550
Disposals	(178)	-	-	(178)
Balance as of December 31, 2021	2,298	651	600	3,549
Depreciated cost as of December 31, 2021	**59,917**	**2,012**	**2,190**	**64,119**

Note 10 - Right-of-use Asset and Liability (cont.):

b. Additional quantitative information regarding leases:

	For the year ending December 31		
	2022	2021	2020
	NIS thousands		
Interest expenses in respect of lease obligations	3,366	1,710	785
Total cash flows paid for leases	6,996	2,765	359

c. Lease liabilities:

	Land and roofs	Office building	Vehicles	Total
	NIS thousands			
Balance as of January 1, 2022	63,653	2,290	2,169	68,112
Entry into consolidation	106,963	-	-	106,963
New arrangements during the Report Period	19,579	7,748	3,029	30,356
Financing expenses	2,722	462	182	3,366
Index revaluation	1,037	887	574	2,498
Adjustments arising from the translation of financial statements for foreign operations	3,919	-	-	3,919
Payment	(3,762)	(1,352)	(1,882)	(6,996)
	194,111	10,035	4,072	208,218
Less current maturities of long-term lease liability	(9,820)	(1,561)	(2,015)	(13,396)
Balance as of December 31, 2022	**184,291**	**8,474**	**2,057**	**194,822**

Note 10 - Right-of-use Asset and Liability (cont.):

c. Lease liabilities (cont.):

	Land and roofs	Office building	Vehicles	Total
	NIS thousands			
Balance as of January 1, 2021	21,268	2,143		23,411
Entry into consolidation	32,731	-	-	32,731
New arrangements during the Report Period	14,563	364	2,668	17,595
Disposals	(2,349)	-	(30)	(2,379)
Financing expenses	1,530	125	55	1,710
Index revaluation	756	60	153	969
Adjustments arising from the translation of financial statements for foreign operations	(1,450)	-	-	(1,450)
Payment	(3,396)	(402)	(677)	(4,475)
	63,653	2,290	2,169	68,112
Less current maturities of long-term lease liability	(3,180)	(402)	(964)	(4,546)
Balance as of December 31, 2021	**60,473**	**1,888**	**1,205**	**63,566**

Note 11 - Fixed assets:

1. **Composition and movement during the year:**

	Photovoltaic systems in the USA	Photovoltaic systems in Israel	Photovoltaic systems under construction	Land systems in Europe	Other	Total
	NIS thousands					
Cost:						
Balance as of January 1, 2022	114,480	78,055	11,262	-	3,281	207,078
Entry into consolidation	-	-	-	1,435,520	-	1,435,520
Additions	71,387	13,126	28,940	-	3,434	116,887
Transfers	-	7,552	(7,552)	-	-	-
Disposals	-	-	-	-	(152)	)152)
Revaluation recognized in other comprehensive income	-	1,700	-	-	-	1,700
Adjustments arising from the translation of financial statements for foreign operations	17,976	-	-	-	-	17,976
Balance as of December 31, 2022	203,843	100,433	32,650	1,435,520	6,563	1,779,009
Accumulated depreciation:						
Balance as of January 1, 2022	1,442	5,649	-	-	642	7,733
Additions	5,026	3,509	-	-	918	9,453
Entry into consolidation	-	-	-	9,060	-	9,060
Disposals	-	-	-	-	(42)	(42)
Balance as of December 31, 2022	6,468	9,158	-	9,060	1,518	26,204
Depreciated cost as of December 31, 2022	**197,375**	**91,275**	**32,650**	**1,426,460**	**5,045**	**1,752,805**

Note 11 - Fixed assets (cont.):

1. **Composition and movement during 2021 (cont.):**

	Photovoltaic systems in the USA(*)	Photovoltaic systems in Israel	Photovoltaic systems under construction	Other	Total
	NIS thousands				
Cost:					
Balance as of January 1, 2021	-	56,613	13,969	1,314	71,896
Entry into consolidation	112,008	-	-	-	112,008
Additions	7,792	-	11,821	2,437	22,050
Transfers	-	14,528	(14,528)	-	-
Disposals	-	(5,049)	-	(470)	(5,519)
Revaluation recognized in other comprehensive income	-	11,963	-	-	11,963
Adjustments arising from the translation of financial statements for foreign operations	(5,320)	-	-	-	(5,320)
Balance as of December 31, 2021	114,480	78,055	11,262	3,281	207,078
Accumulated depreciation:					
Balance as of January 1, 2021	-	3,899	-	634	4,533
Additions	1,442	2,413	-	343	4,198
Disposals	-	(663)	-	(335)	(998)
Balance as of December 31, 2021	1,442	5,649	-	642	7,733
Depreciated cost as of December 31, 2021	**113,038**	**72,406**	**11,262**	**2,639**	**199,345**

(*) Retrospective coordination of the temporary amounts recognized, see Note 13(2).

2. **Valuation techniques**

a. The fair value of the photovoltaic systems in Israel (hereinafter: the “Systems") is determined according to the provisions of IFRS 13. For the purposes of determining the fair value, the Company uses a valuation plan provided to it by external appraisers and carried out by the Company's analysis department, while relying on and controlling external information sources, in order to determine the discount rates and risk-free interest.

b. The fair value is determined mainly according to the method of discounting the unleveraged future cash flows generated from 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 material impact on the updated valuation of systems connected in previous periods, and the fair value is measured when they are connected to the grid. As material differences are discovered, the fair values of these systems is updated, at every cut-off period.

Note 11 - Fixed assets (cont.):

2. Valuation techniques (cont.):

c. The discount rates that were used to determine the fair value of the Systems are 7.5%, 4.8%, and 4.8%-5% for the years that ended on December 31, 2022, 2021, and 2020, respectively.

d. The fair value measurement is classified as level 3 in the fair value scale.

3. Additional details:

a. The remaining photovoltaic systems in Israel, minus accumulated depreciation, if they were presented according to cost, for December 31, 2022 and 2021, is NIS 70,444 thousand and NIS 53,317 thousand, respectively.

b. The depreciation method used by the Company to depreciate the fixed assets is the straight line depreciation method.

c. Besides the photovoltaic systems owned by the Company, the Company owns many other photovoltaic systems, which are listed under the entities treated accounted for using the equity method.

d. The balance of the revaluation fund for fixed assets as of December 31, 2022 is NIS 15,502 thousand (December 31, 2021 – NIS 14,944 thousand).

4. Fixed assets under construction

During the years that ended on December 31, 2022 and on December 31, 2021, the Company completed the construction of new systems for a total amount of approximately NIS 7,552 thousand and approximately NIS 14,528 thousand, respectively.

5. For pledges and guarantees, see Note 17(b) below.

Note 12 – Intangible assets:

Composition:

	Licenses	Backlog of projects	Goodwill	Total
	NIS thousands			
Cost:				
Balance as of January 1, 2022	-	117,912	13,199	131,111
Entry into consolidation	323,116	-	34,769	357,885
Adjustments arising from the translation of financial statements for foreign operations	-	15,507	1,734	17,241
Balance as of December 31, 2022	323,116	133,419	49,702	506,237
Accumulated depreciation:				
Balance as of January 1, 2022	-	-	-	-
Entry into consolidation	5,385	-		5,385
Balance as of December 31, 2022	5,385	-	-	5,385
Depreciated cost as of December 31, 2022	**317,731**	**133,419**	**49,702**	**500,852**

In accordance with the accounting rules, the Group examined impairment for the goodwill balance created as a result of the purchase of the Blue Sky Group. An estimate of the recoverable amount was higher than the book value of the Blue Sky Group, so no provision for impairment was needed.

	Backlog of projects	Goodwill	Total
	NIS thousands		
Balance as of January 1, 2021	-	-	-
Entry into consolidation	123,600	13,835	137,435
Adjustments arising from the translation of financial statements for foreign operations	(5,688)	(636)	(6,324)
Balance as of December 31, 2021	**117,912**	**13,199**	**131,111**

Note 13 - Business combinations:

1. Noy-Nofar Renewable Energies Europe, Limited Partnership

In October, 2020, the Company was included as a partner in the Noy Nofar Renewable Energies Europe Limited Partnership (hereinafter: the "Partnership" or "Noy Nofar Europe"), through the allotment of rights to the Company at the rate of 40%.

On December 28, 2022, the Company entered into an agreement with Noy Funds regarding the purchase of an additional 12.5% of the rights in Noy Nofar Europe and the general partner, and obtaining control and holding 52.5% of the rights in the Partnership, and gained control, in exchange for a total of EUR 57.34 million, of which a total of EUR 28 million was paid on the completion date of the transaction and the balance of the consideration in the amount of EUR 29.34 million will be paid at the beginning of 2023, when the Company intends to make the payment using funds received at the financial close and the first withdrawal of the Sabinar project.

For further details, see Note 17(a)(4).

a. Consideration transferred

	Recognized value on purchase date
	NIS thousands
Composition of the consideration transferred for the business combination:	
Cash	105,084
Deferred consideration	109,244
Total consideration	**214,328**

Note 13 - Business combinations (cont.):

1. Noy Nofar Renewable Energies Europe, Limited Partnership (cont.):

b. Identified assets and liabilities acquired (based on amounts as detailed below):

	Recognized value on the purchase date (*)
	NIS thousands
Assets acquired and liabilities assumed:	
Cash and cash equivalents	9,734
Customers	2,703
Accounts receivable	14,523
Investment in companies accounted for using the equity method	306,634
Right of use asset	109,107
Financial derivative	27,568
Fixed assets	1,426,460
Related parties	29,810
Intangible asset	317,731
Bank loans	(235,725)
Suppliers and service providers	(36,639)
Other long-term liabilities	(9,570)
Payables	(5,906)
Lease obligations	(106,963)
Deferred tax liabilities	(133,547)
Fair value of the identified assets, net	**1,715,920**

(*) The allocation of the share purchase cost (PPA) within the framework of obtaining control of the Partnership was carried out by an independent external appraiser.

Note 13 - Business combinations (cont.):

1. Noy Nofar Renewable Energies Europe, Limited Partnership (cont.):

c. Cash flow for business combination

	As of the purchase date NIS thousands
Consideration paid in cash	105,084
Cash and cash equivalents in the Partnership as of the purchase date	(9,734)
Total net cash flow	**95,350**

d. Goodwill

Following the purchase, goodwill was recognized as detailed below:

	As of the purchase date NIS thousands
Total consideration	214,328
Fair value of the holding before obtaining control	685,706
Non-controlling interests	850,655
Less fair value of the identified assets, net	(1,715,920)
Goodwill as of purchase date	**34,769**

e. Non-controlling interests

The Partnership is not publicly traded, and the value of the minority interests in the Partnership is measured according to their share in the fair value of the net assets multiplied by the proportion of their holding in the Partnership.

Note 13 - Business combinations (cont.):

2. Acquisition of Blue Sky

In July 2021, a transaction was completed for the purchase of 67% of the rights in the Blue Sky Group, which - similar to the Company's activities in Israel - is involved in the initiation, development, licensing, planning, management, construction and holding of solar projects on the roofs of commercial buildings and storage systems in the USA. As part of the agreement, Nofar USA LLC, a partnership fully held by the Company, transferred USD 6 million to the previous shareholders of the Blue Sky Group, USD 20 million into the Blue Sky Group, as well as transferred USD 65 million for providing shareholder loans at an interest rate of 9%.

It was determined within the framework of the agreement that the minority rightsholders will be entitled to receive a bonus, subject to meeting the goals specified in the agreement and that after the full repayment of the shareholder loans that will be provided by companies controlled by the Company, a total of USD 40 million dollars from the profits that will be distributed to the shareholders in the Blue Sky Group, will be divided 50%:50% between the Company and the other shareholders of the Blue Sky Group. The purchase costs totaled approximately NIS 860 thousand and were recognized in the general and administrative expenses section of profit or loss for the period ending December 31, 2021.See also Note 17(a)(11).

a. Consideration transferred:

	Recognized value on purchase date
	NIS thousands
Composition of the consideration transferred for the business combination:	
Cash	81,500
Deferred consideration	3,260
Contingent consideration	6,807
Total consideration transferred	**91,567**

Note 13 - Business combinations (cont.):

2. Acquisition of Blue Sky (cont.):

b. Identified assets and liabilities acquired (based on amounts as detailed below):

	Recognized value on purchase date
	NIS thousands
Assets acquired and liabilities assumed:	
Cash and cash equivalents	65,316
Customers	762
Accounts receivable	4,406
Limited cash	3,800
Right of use asset	29,764
Fixed assets	112,008
Intangible asset - accumulated future projects	123,600
Bank loans	(97,211)
Payables	(37,268)
Lease obligations	(32,731)
Deferred tax liabilities	(36,546)
Fair value of the identified assets, net	**135,900**

c. Cash flow for business combination

	As of the purchase date
	NIS thousands
Consideration paid in cash and cash equivalents	81,500
Cash and cash equivalents in the Company as of the purchase date	(65,316)
Total net cash flow	**16,184**

d. Goodwill

Following the purchase, goodwill was recognized as detailed below:

	As of the purchase date
	NIS thousands
Consideration transferred	91,567
Non-controlling interests	58,168
Less fair value of the identified assets, net	(135,900)
Goodwill as of purchase date	**13,835**

Note 13 - Business combinations (cont.):

2. Acquisition of Blue Sky (cont.):

e. **Non-controlling interests**

The value of the minority interests in the Partnership, which is not publicly traded, is measured using an integrated approach according to the commercial terms with them. In the context of the first component, which allows them to enjoy excess rights in a distribution, it is estimated at fair value according to the forecasted cash flow of the Partnership until the preference is completed. The rest of the amount was estimated according to their share of the fair value of the net assets (minus the component of excess distributions in the Company) multiplied by the proportion of their holding in the Company.

f. A business combination that occurred in a previous period and was measured in previous periods in temporary amounts -
During the Report Period, the Partnership finished attributing the excess cost to the identified assets and liabilities. Accordingly, in these financial statements, the amounts have been retroactively adjusted as follows:

1. Impact on the Statement of Financial Position

	As of December 31, 2021		
	As previously reported (audited)	Impact of retroactive adjustment	As reported in these Financial Statements
	NIS thousands		
Accounts receivable	22,780	(1,205)	21,575
Fixed assets, net	200,387	(1,042)	199,345
Intangible asset	119,310	11,801	131,111
Total assets	**2,168,219**	**9,554**	**2,177,773**
Short-term loans and current maturities for long-term loans from banks	37,671	(227)	37,444
Deferred taxes	42,742	7,803	50,545
Other liabilities	5,660	(1,470)	4,190
Loss balance	(226,071)	620	(225,451)
Non-controlling interests	51,394	2,828	54,222
Total liabilities and equity	**2,168,219**	**9,554**	**2,177,773**

Note 13 - Business combinations (cont.):

2. Acquisition of Blue Sky (cont.):

2. Impact on the Income Statement and Other Comprehensive Income

	For the year ended December 31, 2021		
	As previously reported (audited)	Impact of retroactive adjustment	As reported in these Financial Statements
	NIS thousands		
Other income	960	(448)	512
Financing expenses	23,403	(271)	23,132
Financing income	17,463	(448)	17,015
Income tax expenses (tax benefit)	671	(864)	(193)
Profit for the period	3,041	239	3,280

3. Profit (loss) attributed to:

	For the year ended December 31, 2021		
	As previously reported (audited)	Impact of retroactive adjustment	As reported in these Financial Statements
	NIS thousands		
Shareholders of the Company	3,763	620	4,383
Non-controlling interests	(722)	(381)	(1,103)
	3,041	239	3,280

4. Comprehensive profit (loss) attributable to:

	For the year ended December 31, 2021		
	As previously reported (audited)	Impact of retroactive adjustment	As reported in these Financial Statements
	NIS thousands		
Shareholders of the Company	8,949	620	9,569
Non-controlling interests	(722)	(381)	(1,103)
	8,227	239	8,466

Note 13 - Business combinations (cont.):

2. Acquisition of Blue Sky (cont.):

5. Basic and diluted earnings per share attributable to the Company's owners

For the year ended December 31, 2021		
As previously reported (audited)	Impact of retroactive adjustment	As reported in these Financial Statements
NIS thousands		
0.14	0.02	0.16

Note 14 - Short-term loans and current maturities for long-term loans from banks:

a. Composition:

	As of December 31	
	2022	2021(*)
	NIS thousands	
Current maturities for long-term loans from banks	21,455	11,032
Loans from bank corporations in foreign currency (1)	285,050	-
Short term loans from bank corporations and others (2)	-	25,852
Loans from bank corporations in foreign currency presented in short term (3)	24,185	-
	330,690	**36,884**

(*) Retrospective coordination of the temporary amounts recognized, see Note 13(2).

1. A short-term dollar loan from September 30, 2022, at a fixed annual interest rate of 4.96%
2. Loans on call from banking corporations at a variable interest rate of prime+1%-1.2%
3. As of the Report Date, a consolidated company does not meet financial standards in connection with several project loans. These loans do not meet the coverage ratio of 1.1. In light of the above, the consolidated company classified these loans as short-term. The consolidated company is in the process of negotiating with the bank in favor of changing the above-mentioned financial criterion. The consolidated company is of the opinion that a settlement will be reached on the issue with the bank and the company will not be required to immediately repay the aforementioned loans. It should be noted that although the bank may, in accordance with the financing agreements, call the loans for immediate repayment, as of the date of approval of the financial statement, the bank did not demand immediate repayment of these loans.

b. Financial Criteria:

As of the date of the financial statements, the Company and the investee companies, with the exception of a consolidated company as mentioned above, meet the required standards. See also Note 17(a)(5) below.

Note 15 - Suppliers and service providers:

	As of December 31	
	2022	2021
	NIS thousands	
Open debts	89,548	51,512
Expenses payable	10,455	14,947
Checks payable	974	1,471
	100,977	**67,930**

Note 16 - Accounts payable:

	As of December 31	
	2022	2021
	NIS thousands	
Employees and institutions for wages	3,071	2,062
Provision for vacation and recreation	1,368	1,018
Liabilities to holders non-controlling interests	14,344	11,865
Institutes	9,324	-
Expenses payable (*)	23,109	-
Bond interest payable	-	2,240
Current liability to tax partner	3,815	560
Various payables	3,926	954
	58,957	**18,699**

(*) For further details, see Note 17(a)(16).

Note 17 - Contingent liabilities and commitments:

a. **Engagements**

1. Joint investment agreement with Noy Fund in Aspen Solar Ltd.

On August 4, 2020, the Company entered into an agreement with Noy Fund 2 for investment in infrastructure and energy (in this section hereinafter: "Noy Fund"), which at the time of said agreement 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 (in this section below: the "Partnership"), which will be held 65% by the Company and 35% by the Noy Fund, which will exercise an option granted to Noy Fund to purchase the remaining 51% of the holdings in Aspen Solar (in this section below: the "Option") from Aspen Group Ltd., and will also hold additional solar projects that will be transferred to the Partnership by the Company. As part of the agreement, it was determined that immediately after receiving the required approvals, Noy Fund will assign to the Partnership its rights in connection with the Option, at no consideration. On September 29, 2020, 51% of the rights in Aspen Solar Ltd. were transferred to the Partnership.

The capital financing necessary for the Partnership in order to exercise the Option and provide additional shareholder financing for Aspen Solar, as needed, at the Company's request for its share in the additional financing (as defined below), will be provided by Noy Fund to the Partnership, in a mezzanine loan linked to the index that carries interest at an effective annual rate of 8.25% accrued for the Fund every quarter (in this section below: the "Mezzanine Loan"). The Mezzanine Loan will be non-recourse, will be secured by a first-degree lien on the Partnership's holdings in Aspen Solar and an instruction to transfer the payments directly to Noy Fund, and will be repaid exclusively from the full free cash flow of the Partnership that will result from the holding in Aspen Solar (on a full cash sweep basis), prior to the repayment of the excess funding and the additional funding. Insofar as the Partnership requires additional financing (in this section above and below: the "Additional Funding"), the Partnership will work, as a first priority, to provide the Additional Funding from its internal sources (including free flow resulting from the projects held by it), and only to the extent that this is not possible, will contact its partners with a request to provide the Additional Funding, according to the ratio of their holdings in the Partnership. The Additional Funding will be provided by each partner in accordance with its share in the Partnership through a shareholder loan bearing annual interest at a minimum rate according to Section 3(j) of the Income Tax Ordinance, which will be repaid from the free cash flow of the Partnership, pari passu between the parties. To the extent that any partner does not provide its proportional share in Additional Funding, the other partners will be entitled to provide the Additional Funding in its place, as shareholder loans that will bear interest at the same rate as the Mezzanine Loan interest and will be repaid before the Additional Funding (in this section above and below: "Excess Funding"). As long as the full amount of the Additional Funding is not raised, the Partnership will be entitled to turn to raising it from third parties.

On September 9, 2020, Aspen Group Ltd. announced the exercise of the put option, and on September 29, 2020, the acquisition of the holding in 51% of Aspen Solar shares by Nofar-Noy Solar Projects was completed. The exercise of the aforementioned option was carried out through the Mezzanine Loan provided by the Noy Fund to Nofar Noy Solar Projects, in the amount of approximately NIS 42.6 million - of which a total of approximately NIS 25 million was provided as a shareholder loan to Aspen Solar and was used to pay off the shareholder loans provided by Aspen Group Ltd. to Aspen Solar, and the consideration of approximately NIS 17 million was paid to Aspen Group Ltd. against the purchase of the shares.

Note 17 - Contingent liabilities and engagements (cont.):

a. Engagements (cont.):

2. The investment agreement in the company - Noy Fund 3

On August 31, 2020, the Company and its controlling shareholder, Ofer Yannay (hereinafter: the "Controlling Shareholder") entered into a sale and investment agreement in the Company, by virtue of which Noy Fund purchased shares of the Company under the following conditions (hereinafter, respectively: the "Investment Agreement" and "Investment Transactions"):

Pursuant to the Investment Agreement, on September 10, 2020, Noy Fund purchased shares of the Company that constitute approximately 24.97% of the Company's fully diluted issued and paid-up share capital (hereinafter: the "Company's Capital") in the framework of combined transactions and against a total of NIS 228 million, in accordance with what is set forth below:

(1) Purchase 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 in consideration for a payment of NIS 3.1 million to the Controlling Shareholder (hereinafter: the "Consideration for the Sold Shares");

(2) Allotment of the Company's shares, which constitute approximately 24.64% of the Company's Capital, in exchange for an injection of NIS 224.7 million gross into the Company (hereinafter: the "Consideration for the Allotted Shares").

Also, a one-time payment of NIS 47.9 million was paid to three senior officers.

3. The Shareholder Agreement and Company management

At the same time as the Investment Agreement, the Controlling Shareholder and Noy Fund entered into a shareholder agreement in the Company, which came into force on September 10, 2020, and which was joined at the completion date by the officers and trustees entitled under their benefits plans (in this section below: the "Shareholders' Agreement" and the "Shareholders," as the case may be), while the agreements thereunder were anchored in the Company's articles of association.

4. Joint investment agreement with Noy Fund in Renewable Energies Europe:

In August 2020, the Company entered into an agreement with Noy Renewable Energies Europe, Limited Partnership (in this section below: the "Partnership"), 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 "Exiting General Partner") and Noy-Nofar Europe General Partner Ltd. (in this section below: the "General Partner"), regarding the addition of the Company, at no consideration, as a partner in the Partnership, through the allotment of rights to the Company, so that the Partnership and the General Partner will be held at a rate of 40% by the Company and 60% by Noy Fund (in this section below, respectively: the "Investment Agreement in Europe"; the "Limited Partners" and together with the General Partner, hereinafter: the "Partners"). The transaction was completed in October 2020, the allotment of 40% of the rights to Noy-Nofar Europe to the Company and the replacement of the General Partner were completed (in this section below: the "Completion Date").

On December 28, 2022, the Company entered into an agreement with Noy Funds, Noy-Nofar Renewable Energies Europe, Limited Partnership ("Noy Nofar Europe") and the general partner of Noy Nofar Europe (the "General Partner") regarding the purchase of 12.5% of the rights of Noy Nofar Europe and the General Partner, and an increase to control and holdings at a rate of 52.5% of the rights of Noy Nofar Europe and in the General Partner (the "Purchase Agreement").

Note 17 - Contingent liabilities and engagements (cont.):

a. Engagements (cont.):

4. Joint investment agreement with Noy Fund in Renewable Energies Europe (continued):

As part of the Purchase Agreement, it was determined that on the Completion Date, Nofar would purchase 12.5% of the rights in Noy Nofar Europe and the general partner from the Noy Fund, in exchange for a total of EUR 57.34 million (the “Consideration”), of which a total of EUR 28 million was paid on the completion date of the transaction and the balance of the consideration in the amount of EUR 29.34 million will be paid by February 28, 2023, when the Company intends to make the payment using funds received at the financial close and the first withdrawal of the Sabinar project. At the time of completion of the transaction, among other things, a revised partners agreement was signed which regulated the manner of decision-making in the Noy Nofar Europe Partnership (the "Partners Agreement”). This agreement replaced the previously signed partners agreement and will regulate the manner of management of the General Partner.

As part of the agreement, it was determined that the Partnership will engage in the promotion, holding, financing, development, construction and operation of the Olmedilla, Sabinar, Sunprime projects, other projects for generating and storing electricity promoted by virtue of dedicated regulations in Spain (Spanish hybridization regulations) regarding the connections of the Olmedilla and Sabinar projects, as well as renewable energy projects on land located near the Olmedilla and Sabinar projects for which a lease agreement was signed (the “Additional Projects").

Shortly after the completion date, the parties will work to transfer Noy Nofar Europe's holdings in Sunprime to a dedicated partnership that will be held by the Company and the Noy Fund in equal proportions (50:50) and will be jointly managed by the Company and the Noy Fund. On the date of completion of the aforementioned split, the Noy Fund will pay Nofar the amount attributed in consideration for the purchase of 2.5% of Noy Nofar Europe's holdings in Sunprime plus 2.5% of additional investment amounts that will be made in Sunprime from the date of completion of the transaction until the date of completion of the aforementioned split, if any.

The General Partner's board of directors will appoint five members: three will be appointed by the Company and two by Noy Fund. In the event of a change in the holdings of the parties, each holding of 20% of the rights in the General Partner will confer a right to appoint one director, while the directors will have voting rights according to the holding rate of the shareholder who appointed them.

Resolutions in the General Partner will be made by a simple majority except for extraordinary resolutions as detailed below, which are subject to the unanimous consent of the authorized bodies in the General Partner: transactions with any of the Limited Partners or a party related to them, a change in the field of activity of Noy Nofar Europe or any of the investee corporations, including investment in a project other than wind or solar (including storage), a change in the capital structure of Noy Nofar Europe or the investee corporations, a change in the incorporation documents of Noy Nofar Europe, a change in the distribution policy, cessation of activity, merger, liquidation, freezing of procedures, etc. of Noy Nofar Europe or the investee corporations, as well as approval of a sale of material assets at a price lower than the value stipulated in the agreement.

Starting from the completion date of the transaction, the financing of Noy Nofar Europe's activities will be primarily from its independent sources or from financing received from a banking or financial institution without the provision of collateral. Insofar as it is not possible to obtain external financing, the financing will be provided by the partners in accordance with the provisions below: (a) regarding financing needed to complete the Olmedilla, Sabinar, and Sunprime projects (including payments under the PPA, EPC, financing agreements) as well as the development of the additional projects

Note 17 - Contingent liabilities and engagements (cont.):

a. Engagements (cont.):

4. Joint investment agreement with Noy Fund in Renewable Energies Europe (continued):

- each party will provide its share in the financing (i.e. the Company will provide 52.5% and the Noy Fund will provide 47.5%). A party that does not provide its share by the dates stipulated in the agreement will be diluted in accordance with a dilution mechanism that includes payment of penalties stipulated in the agreement; (b) Regarding financing for various purposes in the amounts and minimum EIRR stipulated in the agreement or for purposes approved by the General Partner by unanimous consent - each party will be entitled to provide its share in the financing (i.e. the Company - 52.5% and the Noy Fund - 47.5%). A party that does not provide its share by the dates in the agreement will be diluted pursuant to the dilution mechanism in the agreement; (c) With regard to financing that does not meet one of the alternatives in paragraphs (a) and (b) - Nofar may provide as a loan to the partnership at an interest rate that is the same as the yield of the project for which the financing was provided as stated, when Nofar will be entitled to the cash flow resulting from the project and bear all the exposures for that project.

Near the completion date, the parties will contact the banks that provided the Partnership with credit and bank guarantees, and request to change the rate of guarantees of the Noy Group and Nofar for the Partnership's debts to the banks, in a way that will reflect the rate of their holdings in the Partnership.

The agreement includes a dividend distribution policy, according to which all free cash flow, taking into account the financing needs of Noy Nofar Europe, will be distributed to the partners. The agreement also includes provisions regarding the right of first refusal and the right of accession in the event of the sale of Noy Nofar Europe shares by any of the parties. Also, starting with the lapse of two years from the date of entry into force of the agreement, as well as in the case of the sale of the Company's holdings in Noy Nofar Europe or in the case of a new controlling shareholder of the Company, in the event that Noy Fund decided to exercise its holdings in the Partnership and the Company does not exercise the right of first offer, the Partnership will act to sell its assets and distribute the proceeds to partners. To the best of the Company's knowledge, the purchase does not involve the payment of any tax. As for the taxation consequences of the splitting of the Sunprime activity from Noy Nofar Europe - it should be noted that at the Report Date, the consequences of the splitting are being examined by tax advisors. To the extent that the aforementioned consequences apply to any of the corporations held by Noy Nofar Europe, the Company and the Noy Fund will bear the aforementioned tax payments in equal parts.

5. Criteria

a. The Group finances the projects it owns and the projects in the associates, 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 duration of the construction period - for a period of 9 months, where the main conditions for this are: equity investment of at least 20% of the project's capital; the guarantee of shareholders in the entity; encumbrance of the equipment; and at times a floating pledge on the rights in the entity. Upon completion of the construction works, the long-term loan is extended, with the main conditions for this being: obtaining an operating permit; receiving a technical consultant's report; registration of a development insurance policy lien for the facility. Once a year, compliance with the debt coverage ratio defined as the total income from electricity production, divided by the financing expenses plus the repayments of the loan principal, is examined. If the ratio is less than 1.1, the bank has the right to call the credit for immediate payment. The Company's may fix the coverage ratio by injecting capital into the project company.

As of the date of the financial statements, except as stated in Note 14(a)(c), the Company and all the project companies meet the required standards.

b. Regarding meeting the standards of the bonds, see Note 19.

Note 17 - Contingent liabilities and engagements (cont.):

a. Engagements (cont.):

6. Initiating storage projects in Israel

As of the Report Date, the Company has completed the construction of two electricity storage systems, which to the best of the Company's knowledge are the first of their kind in Israel. In addition, the Company is promoting the construction of several additional systems for storing electricity in batteries with a total capacity of approximately 839 megawatt hours. At the same time as the establishment of the storage systems in Israel and studying the field, the Company is considering the establishment of additional storage systems around the world.

7. Sunprime

The Company is active in Italy through the company Sunprime Generation SRL ("Sunprime"), held indirectly at a rate of 26% by the Company, which specializes in roof projects and land systems.

Since the purchase of Sunprime by the Company, Sunprime has won a significant share of the capacity allocated in the last six tender procedures carried out by the Italian Electricity Services Authority (GSE), which grant the winners a guaranteed rate (Contract for Differences) in the amount of up to EUR 102 per MWh for a period of 20 years.

As of the Report Date, the Sunprime Group has a backlog of solar projects amounting to a capacity of approximately 475 megawatts, of which approximately 19.4 megawatts are connected projects and approximately 27 megawatts are ready to be connected, which were awarded in a tender process carried out by the Italian Electricity Services Authority (GSE) for receipt of a guaranteed rate for a period of 20 years in an average amount of about EUR 93.4 per megawatt. In addition, Sunprime has a goal of reaching 400 megawatt connected projects by 2025. It is also engaged in the promotion of storage projects. It should be noted that, to the best of the Company's knowledge, as of the Report Date, Sunprime is able to benefit from the high electricity prices currently prevailing in the Italian electricity market, by postponing the start date of the guaranteed tariff for a period of 18 to 30 months. During the month of April 2022, Andromeda, a company indirectly owned by the Company at a rate of 40%, exercised a call option to purchase additional shares of Sunprime, against an additional payment of EUR 10 million, which was designated as a shareholder loan by the sellers, such that after the exercise, it holds 50% of Sunprime's issued capital. At the same time, Andromeda provided another shareholder loan in the amount of EUR 10 million, to Sunprime.

During October 2022, Sunprime Generation Srl and Sunprime Energia Distribuita Srl (the "Borrowers"), together with Sunprime and the other corporations held by the Company, entered into a framework agreement to receive senior financing of up to EUR 150 million, which will be used to establish solar projects with an estimated capacity of about 216 MWp. In November 2022, the financial closing of the transaction and the first withdrawal of the loan funds was carried out.

Note 17 - Contingent liabilities and engagements (cont.):

a. Engagements (cont.):

8. Olmedilla and Sabinar projects

As part of the activity of Noy-Nofar Europe, during the month of March 2021, Andromeda entered into an agreement and completed a transaction to purchase 90% of the rights in the corporation that owns two solar projects with a total capacity of approximately 407 megawatts in Spain (the "Sabinar project") from third parties not related to the company or Noy Fund (the "Purchase Agreement" and the "Sellers"). In addition, Andromeda and the project corporation 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, SL (the "Sabinar Project Company") owns about 60% of the rights in the company Grid Hive, SL (while its remaining shares are held by Olmedilla Hive, SL which owns the Olmedilla project), which will hold the connection infrastructures to the shared electricity grid of the Olmedilla project and the Sabinar project.

The Olmedilla project is a solar project in Spain with a total capacity of approximately 169 megawatts, which is connected to the electricity grid and started during a running period and electricity flow and is held indirectly at a rate of 50% by the Company, and Sabinar 1 is a solar project in Spain with a total capacity of approximately 238 megawatts, of which 155 megawatts is connected to the electricity grid and started during the period of running and electricity flow and is held indirectly at a rate of 47% by the Company. In addition, in light of the high electricity prices in Spain, the project companies of Olmedilla and Sabinar entered into PPA agreements for periods of 3, 5 and 9 years, respectively, regarding the sale of up to 67% of the electricity produced in these projects, at a rate of between EUR 51 and 82.5 per megawatt hour, depending on the electricity power sold, the term of the agreement and the provisions of the Royal Decree. In addition, in March, Sabinar Hive entered into an agreement to receive project financing guaranteed by the full assets and rights in relation to Sabinar I and Sabinar II, in the amount of up to EUR 140 million, for a period of up to 22.5 years, with an annual interest rate of 4.6% per year, which will be repaid in biannual installments. In accordance with the provisions of the agreement, the first withdrawal will be made by July 2023 at the time of the financial closing, after the completion of the creation of collateral and the receipt of various approvals as detailed in the financing agreement. The second withdrawal will be carried out by March 2024 after the arrival of Sabinar II to commercial operation (COD) and its passing the acceptance tests as specified in the financing agreement.

9. Entering into an agreement for the purchase of electricity storage systems

During the months of March and November 2021, the Company entered into framework agreements with Tesla Motors Netherland BV, a leading battery manufacturer ("Tesla") for the purchase of systems for storing electricity in batteries with a total capacity of not less than 100 and 200 megawatt hours, respectively (the “Framework Agreement"), under the following terms:

The Company will purchase electricity storage systems from Tesla, with a total capacity of no less than 100 and 200 megawatt hours, respectively, which will be delivered to the Company in the period from February 2022 to March 2024. In consideration for the purchase of the storage systems, the Company will pay a total of about USD 84 million (subject to changes due to changes in the characteristics of the systems). Payment will be made in milestones as specified in the purchase orders.

Note 17 - Contingent liabilities and engagements (cont.):

a. Engagements (cont.):

9. Entering into an agreement for the purchase of electricity storage systems (cont.):

The Company intends to make use of the storage systems they will purchase under the Framework Agreement at its partner sites, in the project corporations that own the power generation systems in operation, construction and nearing construction, initiation and licensing.

10. Acquisition of rights in a solar project in Romania

During the month of July 2021, the company entered into an agreement together with Econergy International Ltd (Econergy) (hereinafter jointly the "Purchasers"), in an agreement to purchase a company that owns a photovoltaic project with a total capacity of approximately 155 megawatts. As part of the purchase agreement, the Company and Econergy purchased from the sole shareholder in Portland Trust Renewable 1 SRL the entire issued share capital of the project company (the Company's share is 50%). As part of the agreement, the purchasers paid the seller approximately 19 million; the bulk of the purchase amount will be attributed to the project under construction. The project is expected to connect to the electricity grid during 2023.

During 2022, the Company continued to develop the Company's initiation platform in Romania, Nofar Energy SRL BV, including recruiting local managers and building development teams. In addition, in May 2022, Nofar Europe entered into an agreement to purchase the entire share capital of corporations engaged in the initiation of the Iepuresti project in Romania, which is a solar project, with a capacity of approximately 169 megawatts and which received approval for connection to the electricity grid. In July 2022, it entered into an additional agreement for the purchase of the entire share capital of a corporation engaged in the initiation of a solar project in Romania, Corbii Mari, with an estimated capacity of approximately 256 megawatts, located in close proximity to a high voltage line that allows the direct flow of the electricity produced by the project to the high voltage line. In November 2022, it entered into an agreement for the purchase of the entire share capital of a corporation engaged in the initiation of a solar project in Romania, with an estimated capacity of approximately 130 megawatts, Ghimpati, located in close proximity to the Iepuresti project, which is intended to be connected to a substation of that project. In December 2022, the Company entered into an agreement for the purchase of the entire share capital of a corporation engaged in the initiation of a solar project in Romania with an estimated capacity of approximately 72 megawatts, Slobozia. In accordance with the provisions of the agreements entered into by Nofar Europe, the completion of the purchase agreement for each of the above projects is expected to take place after every project reaches ready to build. In addition, the project company Tatesti Solar Plan SRL (Ratesti) entered into a memorandum of principles to receive financing in the amount of up to EUR 60 million, for a period of up to 4 or 10 years and at an interest rate at an annual rate of EURIBOR for a period of 3 months plus a margin of between 3.3% and 3.9% which will be repaid in quarterly installments. It should be emphasized that at the Report Date, the due diligence of the lenders in relation to the projects had not yet been completed, a binding agreement had not yet been signed, and there is no certainty regarding the signing of said agreement. Also, in view of the early stages of the negotiations, on the Report Date, there is no certainty regarding the signing of a binding agreement, its final terms or the receipt of financing. As of the Report Date, the local platform is engaged in initiating and locating additional projects (solar and storage projects), examining the possibility of entering additional projects in Romania with capacities of hundreds of megawatts, as well as promoting the establishment of the Ratesti project and preparing for the establishment of the solar projects it entered into.

Note 17 - Contingent liabilities and engagements (cont.):

a. Engagements (cont.):

11. Acquisition of Blue Sky

In July 2021, the Company completed the acquisition of 67% of the rights in Blue Sky, which is engaged in the initiation, development, licensing, planning, management, construction and holding of solar projects on the roofs of commercial buildings and storage systems in the USA. The structure of the transaction was built to contain components supporting accelerated growth, such as a credit line for the provision of equity for the establishment of projects and bonuses to the Company's management for meeting targets defined in the agreement. The Company's activity model focuses on setting up solar systems on the roofs of commercial centers, while selling electricity to stores in the complex at retail rates that are higher than the rates at which electricity is sold under the PPA agreements of Utility projects. As of the Report Date, Blue Sky focuses on expanding operations, while strengthening the organizational infrastructure, strengthening the collection system, increasing partnerships with REIT funds, creating new partnerships and closing agreements with tax partners. As of the Report Date, Blue Sky owns and promotes the development and construction of solar projects with a capacity of 358 megawatts which are in various stages.

12. Entering into a framework agreement with the tax partner

a. On November 30, 2021, the Blue Sky Group entered into a framework agreement with a third party, according to which the third party will serve as a tax partner in projects established by the Blue Sky Group with which the partnership has established several projects in the past. As part of the agreement, the tax partner will provide the corporation that will be held jointly by the Blue Sky Group and the tax partner ("the portfolio company") a sum of up to USD 40 million to finance the establishment of solar projects combined with storage. In the Partnership's estimation, this amount constitutes the required investment from the tax partner for the establishment of new solar projects with a total cost of USD 120 million.

b. In November 2021, purchase agreements were signed with two tax partners whose conditions were met during the Report Period. As a result, the Group recognized receipts from the tax partners against the income of the tax partner and long-term liabilities.

13. Purchase agreement for a Polish company

In October 2021 Nofar Europe BV ("Nofar Europe"), a corporation held by the Company at a rate of 90%, entered into an agreement with Electrum SP. Z OO ("Electrum"), regarding the establishment of Electrum Nofar Energy SP.ZOO (Electrum Nofar), which is held indirectly at a rate of 80% by Nofar Europe (and 72% by the Company), and is engaged in initiation, development, and the holding of solar and wind systems with a capacity of up to 1,250 MW in Poland, and in March 2022, Electrum transferred to Electrum Nofar projects with an estimated capacity of up to 589 MW and storage projects with an estimated capacity of about 1,400 MWh in Poland. In addition, as of the Report Date, Electrum Nofar is engaged in initiating additional projects in Poland with a capacity of hundreds of megawatts. During the Report Period, one of Electrum's Nofar project companies entered into EPC and O&M agreements with Electrum regarding the establishment and maintenance of the Krzywinskie project and, as of the Report Date, is conducting negotiations regarding the Dziewoklucz project. During the Report Period, Nofar Europe announced the extension of the deadline for completing the Thumos transaction by 12 months.

Note 17 - Contingent liabilities and engagements (cont.):

a. Engagements (cont.):

14. Establishment of a development platform in the UK and acquisition of rights in a battery electricity storage project

During 2022, the Company continued to develop the platform Atlantic Green UK Limited ("Atlantic Green"), a company that is 75% held by the Company, which is engaged in the initiation, promotion, establishment and holding of battery storage systems in the United Kingdom. Atlantic Green is continuing evaluations for the construction of the Cellarhead project (which has an estimated storage capacity of approximately 698 megawatt hours). In addition, in April 2022, Atlantic Green entered into an agreement to purchase the entire share capital of the corporation that holds the rights to establish the Buxton project, as a storage project with a connection agreement to the electricity grid with a total capacity of 30 megawatts, and the supply of storage capacity with an estimated capacity of approximately 60 megawatt hours, assuming use of batteries with a storage capacity of two hours. After the balance sheet date, Atlantic Green completed the acquisition of the Cellarhead and Buxton project companies. In addition, as of the Report Date, Atlantic Green is engaged in the establishment of the Buxton project and is preparing for the establishment of the Cellarhead project. In addition, the development platform of the Company in the UK, Noventum Power Limited (Noventum), a corporation indirectly held at a rate of 80% by the Company and which is engaged in initiating and locating solar projects and projects UK wind, is at various stages of development. As of the Report Date, Noventum has accumulated projects in preliminary development stages totaling approximately 543 megawatts.

15. Electricity supplier license

In March 2022, the Company received an electricity supply license from the Ministry of Energy. 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 Companies to private electricity consumers.

In June 2022, Nofar Energy Electricity Supply Limited Partnership (hereinafter: “Nofar Electricity Supply") began supplying electricity to a number of customers in Israel.

16. Competitive procedures

During the Report Period, the Company paid the Electricity Authority a total of about NIS 8.1 million for projects established by virtue of competitive procedures that the Company won. The payment was made, according to the Company's assessment, by way of forfeiture of guarantees that were provided by the Company. As of the Report Date, the Company anticipates that it will incur additional forfeitures in the amount of an additional NIS 13.9 million, which the Company estimates are expected to be paid by forfeiting additional guarantees. It should be noted that due to the high rates set in these competitive procedures (in particular compared to the rates set in later competitive procedures) as well as the amounts paid, the aforementioned payment has an immaterial effect on the project's returns. The loss from the aforementioned forfeiture in the amount of NIS 22 million is recorded in the other expenses section of the profit and loss statement for the period.

Note 17 - Contingent liabilities and engagements (cont.):

a. Engagements (cont.):

17. Cooperation with the Milgam Group

During the month of May 2022, the Company entered into a strategic cooperation agreement with the Milgam Group Ltd. ("Milgam") regarding the establishment of a partnership that will be held at a rate of 50% by the Company and will operate in the production and sale of electricity, through renewable energies, an energy storage system and electricity supply in the public sector ("Energy Activity in the Public Sector") as well as installing and operating charging stations for electric vehicles ("Charging Station Activity", "Cooperation Agreement" and “Nofar Milgam Partnership").

To the best of the Company's knowledge, Milgam specializes in providing comprehensive and advanced services to municipalities, municipal bodies, water corporations, government bodies, public and private companies. Also, to the best of the Company's knowledge, Milgam, through Milgam Energy Ltd., a wholly owned subsidiary, owns 48% of the rights in Milgam EV Edge, Limited Partnership ("Milgam Energy" and "Milgam Edge EV", respectively), which deals in the field of charging in the public sector and is also the controlling owner of the company that owns the 'Pango' application, which to the best of the Company's knowledge is the largest provider of mobile parking payment services in Israel.

In August 2022, the transaction was completed and accordingly the Company invested an amount of approximately NIS 63.3 million, and this against the issuance of shares in Milgam Energy Ltd. (which shortly after the completion was renamed Nofar Milgam Ltd.), which will be used to finance the joint activity in the energy sector and the charging stations (the “Initial Investment Amount"). After using the Initial Investment Amount, each of the parties will provide their share for the financing that will be required for Nofar Milgam Partnerships.

b. Guarantees and encumbrances

1. As of December 31, 2022, most of the rights in the Company's assets are pledged in fixed liens in favor 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 liens and floating liens, as the case may be.
2. Most of the lien documents in favor of the banks include restrictions on change of control/ownership in the developer, and in some cases, also include guarantee of the developer (including the Company).

Note 18 - Long-term loans from banks:

a. Composition:

		As of December 31	
		2022	2021
	Interest Rate	NIS thousands	
	%		
Loans with variable interest in new shekels	Prime + 0.5	27,731	24,087
Fixed interest loans in foreign currency	6-7	54,295	53,015
Variable interest loans in foreign currency	Libor + 2-2.75	235,724	-
Minus current liabilities for loans		(21,455)	(11,032)
		296,295	**66,070**

b. The repayment dates of the loans in the financial statements are as follows:

	As of December 31	
	2022	2021
	NIS thousands	
First year	21,455	11,032
Second year	24,409	5,319
Second year	24,883	7,296
Fourth year	25,243	8,646
Fifth year	28,687	4,423
Sixth year and beyond	193,073	40,386
	317,750	**77,102**

Note 19 – Bonds:

a. Composition:

	As of December 31	
	2022	**2021**
	NIS thousands	
Non-current liability for the bonds	735,233	398,318
Less current liabilities of the bonds	(121,370)	-
	613,863	**398,318**

b. Series A Bonds (hereinafter: the "Bonds")

In August 2021, the Company made a public offering and listing for trade of NIS 400 million par value Bonds (Series A). The Bonds (Series A), NIS 1 par value each, which are payable (principal) in ten biannual index-linked payments, with the first payment, at a rate of 10% of the Bond principal, to be paid on June 30, 2023, four additional payments will be made on December 31 of each of the years 2023 and 2024 and on June 30 of each of the years 2024 and 2025, such that each of the aforementioned four payments will constitute 6% of the nominal value of the Bonds, four additional payments will be made on December 31, 2025 and 2026 and June 30 of each of the years 2026 and 2027, such that each of the aforementioned four payments will be 4% of the nominal value of the Bonds, and an additional payment that will be made on December 31, 2027 and will be 50% of the nominal value of the Bonds.

On September 7, 2022, the Company completed a private placement of 317,005,000 Bonds (Series A) of the Company par value NIS 1 each, listed for trade, to 13 classified investors (hereinafter: the "Offerees"), at a price of 98.5 agorot for every NIS 1 of a Bond, for a total of NIS 312,249,925 for all the mentioned Bonds (Series A), by way of expanding the existing series of Bonds (Series A) of the Company, listed for trade on the stock exchange, in such a way that the amount of Bonds (Series A) that will be in circulation, after the allotment, will amount to NIS 717,005,000 par value.

The unsettled balance of the Bond principal, as it will be from time to time, will bear 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), when the last payment of the interest will be paid together with the last repayment of the principal on December 31, 2027.

Main financial conditions regarding the Bonds (series A)

1. Equity (as this term is defined in the trust deed), which will not be less than NIS 550 million.
2. The ratio between solo equity and the total solo net balance (as these terms are defined in the trust deed) will not be less than 35%.
3. As of December 2023, the ratio between consolidated net financial debt and EBITDA (as these terms are defined in the trust deed) will not exceed 15.

As of the Report Date, the Company meets the required financial conditions.

Note 20 – Other liabilities:

	As of December 31	
	2022	2021
	NIS thousands	
Tax partner(*)	11,433	4,190
Liability for elimination and disposal(**)	9,570	-
Other	1,884	-
	22,887	**4,190**

(*) For more details, see Note 17(a)(12).

(**) A consolidated corporation of the company (Olmedilla) entered into a lease agreement for a period of 30 years for the purpose of establishing land solar systems in Spain. In accordance with the lease agreement, at the end of the contract whether due to the end of the lease period or due to a decision to terminate the lease, the corporation must dismantle the facilities located on the property in order to return it to the condition in which it was received so that it is suitable for use before the installation of the systems.

Note 21 - Capital:

a. Below is the composition of the share capital:

	As of December 31, 2022 and 2021	
	Registered	Issued and paid up
Ordinary shares at no par value each	50,000,000	33,647,857

The shares give the holder the right to participate in the general meetings, to receive a share of the Company's profits upon their distribution, and to receive a share of the Company's surplus upon liquidation.

b. On September 10, 2020, 51,466 shares were allotted to Company officers and 49,534 shares were allotted according to an investment agreement to the Noy Fund.

c. During the month of December 2020, the Company completed the issue of its shares to the public. As part of the offering, 5,802,950 shares at no par value were offered to the public, which were issued by the Company for a net total of NIS 556 million.

d. Splitting share capital, cancellation of par value and reduction of registered capital

1. On August 19, 2020, a split was carried out in the existing registered share capital of the Company (a share split) in a ratio of 1:100, such that after the change, the registered share capital of the Company was set at a total of NIS 50,000 divided into 5,000,000 ordinary shares of the Company of 0.01 NIS par value each, and the issued and paid-up capital is 100,000 shares of NIS 0.01 par value each.
2. During the month of December 2020, with the completion of the issue of shares to the public, the Company performed the following actions:
   a. A split in the existing registered share capital of the Company (share split) in such a way that each ordinary share of NIS 0.01 par value of the Company will become 100 ordinary shares of NIS 0.0001 par value each. In other words, the registered share capital of the Company will become 500,000,000 ordinary shares par value NIS 0.0001 each, and the issued and paid-up share capital of the Company will become 20,100,000 ordinary shares of NIS 0.0001 par value each.
   b. The cancellation of the par value of the Company's shares and the amending of the Company's incorporation documents accordingly, so that the registered, issued and paid-up capital of the Company will consist of ordinary shares at no par value.
   c. Reducing 450,000,000 ordinary shares at no par value from the registered share capital of the Company, that is, the registered share capital of the Company will become 50,000,000 ordinary shares at no par value.

Note 21 - Capital (cont.):

E. Private placement of the Company's shares

On October 13, 2021, the Company's board of directors approved a private placement of 7,744,907 ordinary shares at no par value of the Company (the “Offered Shares"), to a number of investors who are members of the Altshuler Shaham Pension and Provident Group Ltd., the Phoenix Insurance Company Ltd., Y.D. More Investment House Ltd., Migdal Insurance and Finance Holdings Ltd., and Safra Fund and Hatzavim Fund, against payment of consideration in the amount of NIS 71.66 per share, for a total of NIS 555 million.

The Offered Shares constitute about 29.9% of the rights in the Company's capital before the allotment of the Offered Shares, about 37.31% of the voting rights in the Company before the allotment of the Offered Shares, about 28.85% of the capital rights in the Company in full dilution (that is, assuming the allotment and conversion of the options subject to the description published by the Company on July 22, 2021 "Full dilution assumption") before the allotment of the Offered Shares, approximately 35.69% of the rights in the Company's capital assuming the allotment of the Offered Shares before the allotment of the Allotted Shares, approximately 23.02% of the rights in the Company's capital assuming the allotment of the Offered Shares, approximately 27.17% of the voting rights in the Company assuming the allotment of the Offered Shares, about 22.39% of the capital rights in the Company assuming full dilution and assuming

the allotment of shares in the Company, assuming full dilution and assuming the allotment of the Offered Shares, and approximately 26.3% of the proposed voting rights.

Changes occurring in the issued and paid-up capital	Ordinary shares of no nominal value
January 1, 2021	25,902,950
Private placement	7,744,907
December 31, 2021	33,647,857

The Offered Shares will be equal in their rights in every respect to the ordinary shares existing in the issued and paid-up share capital of the Company, and they will confer upon their owners the full dividends, bonus shares or any other distribution (as applicable) for which the effective date for their receipt is after the date of issue of the Offered Shares.

Changes occurring in the issued and paid-up capital	Addition to the issued capital (in ordinary shares)	Ordinary shares par value NIS 1	Ordinary shares par value NIS 0.01 each	Ordinary shares of no nominal value
January 1, 2020	-	1,000	-	-
Splitting the Company’s shares	99,000	(1,000)	100,000	-
Allotment of shares to officers	51,466	-	51,466	-
Allotment of shares to Noy Fund	49,534	-	49,534	-
Splitting shares	19,899,000	-	(201,000)	20,100,000
Public offering	-	-	-	5,802,950
December 31, 2020	20,099,000	-	-	25,902,950

Note 22 - Share-based payment

Below is a breakdown of the plan for allocating options to the Company's employees:

Allotment date	Number of offerees	Total number of options	Exercise price in NIS	The value of the options in NIS thousands (*)	Number of options exercised as of the financial report date	Number of options expired as of the financial report date
July 8, 2021 (a)	2	362,642	104.58	8,320	-	-
July 8, 2021 (a)	52	321,183	99.6	7,680	-	-
August 4, 2022 (b)	31	135,986	99.6	4,514	-	-

Allotment date	The life of the options (in years)	Expiration date of the options	Amount of options remaining as of the financial report date
July 8, 2021 (a)	6	July 8, 2027	362,642
July 8, 2021 (a)	6	July 8, 2027	310,823
August 4, 2022 (b)	6	August 4, 2028	128,215

(*) The option value was calculated according to the Black Scholes (B&S) model. As part of the calculation of the value of the benefit, the share price, the exercise price, the risk-free interest rate, the volatility and the expected life of the option are taken into account.

	As of December 31			
	2022		2021	
	Number of options	Weighted average of exercise price	Number of options	Weighted average of the exercise price
Options in circulation at the beginning of the year	683,825	102.24	-	-
Options granted during the year	135,986	99.60	683,825	102.24
Number of options of employees who left during the year	(18,131)	99.60	-	-
In circulation at the end of the year	**801,680**	**101.8**	**683,825**	**102.24**

- The exercise prices of the options in circulation as of December 31, 2022 range from NIS 104.58 - 99.6 per option (as of December 31, 2021: NIS 104.58 - 99.6)
- The weighted average of the remaining contractual life of the options as of December 31, 2022 is 4.7 years (as of December 31, 2021: 5.5 years)

Effect of share-based payment transactions on profit or loss:

	For the year ending December 31	
	2022	2021
	NIS thousands	
Expense arising from ESOP plans	5,734	3,707

Note 22 – Share-based payment (continued):

a. On August 4, 2022, the Company's board of directors resolved to allot 135,986 options to 31 employees, of which three offerees are officers, and the publication of an outline that allows the allotment of up to 395,015 options to employees and officers of the Company.

In accordance with the provisions of the Company's option plan, the options can be exercised on the dates as follows:

1. 50% of the total amount of the options starting two years from the effective date.

2. 25% of the total amount of the options starting after three years from the effective date.

3. 25% of the total amount of options starting after four years.

The exercise price of the options that will actually be allotted by virtue of the outline and the decision of the board of directors is NIS 99.6 per share.

On October 6, 2022, the Company allotted the aforementioned options. The value of the options granted to the employees is NIS 4.5 million. The life of the options is 6 years from the effective date. As of the date of approval of the financial statements, the options cannot yet be exercised.

Note 23 - Income from the sale of electricity and construction:

	For the year ending December 31		
	2022	2021	2020
	NIS thousands		
From the construction and operation of systems in Israel	300,779	350,887	208,593
Initiation and investment abroad	9,944	2,355	-
Initiating and investment in Israel	13,845	7,520	5,975
	324,568	**360,762**	**214,568**

Note 24 - Construction and operating costs:

	For the year ending December 31		
	2022	2021	2020
	NIS thousands		
Outside work	146,111	130,145	85,774
Materials	123,281	166,937	76,981
Depreciation expenses	13,711	6,346	3,067
Salary expenses	21,018	14,540	8,196
Maintenance and operation;	12,845	5,481	4,143
Other expenses	5,338	3,578	2,973
	322,304	**327,027**	**181,134**

Note 25 - Management and general expenses:

	For the year ending December 31		
	2022	2021	2020
	NIS thousands		
Salary expenses	18,128	9,115	4,074
Possession of vehicles	505	250	270
Professional services	11,748	4,811	2,183
Maintenance	4,301	590	486
Depreciation expenses	985	343	166
Other expenses	2,368	1,826	250
	38,035	**16,935**	**7,429**

Note 26 - Other Expenses

	For the year ending December 31		
	2022	2021	2020
	NIS thousands		
Expenses of issuing bonds and allotting shares	-	253	1,954
Expenses for competitive procedures (*)	22,033	-	-
Other	1,323	128	-
	23,356	**381**	**1,954**

(*) For additional details, see Note 17(a)(16).

Note 27 - Other income:

	For the year ending December 31		
	2022	2021(*)	2020
	NIS thousands		
Profit from gaining control of an associate company(**)	209,885	-	-
Other	63	512	111
	209,948	**512**	**111**

(*) Retrospective coordination of the temporary amounts recognized, see Note 13(2).

(**) For more details, see Note 13(1).

Note 28 - Net financing expenses:

a. Financing expenses

	For the year ending December 31		
	2022	2021(*)	2020
	NIS thousands		
Interest and fees	9,100	4,870	3,892
Interest for related parties	2,210	1,450	371
Financing expenses in respect of lease	3,366	1,710	785
Exchange rate differences	-	8,997	-
Bonds	33,945	5,723	-
Revaluation of financial and other derivatives	3,836	382	472
	52,457	**23,132**	**5,520**

b. Financing income

	For the year ending December 31		
	2022	2021(*)	2020
	NIS thousands		
Interest on deposits	9,766	606	54
Related party interest	2,418	5,942	-
Update of contingent consideration (**)	-	6,220	-
Update of cost overruns in respect of loans	1,283	4,247	-
Exchange rate differences	33,217	-	976
	46,684	**17,015**	**1,030**

(*) Retrospective coordination of the temporary amounts recognized, see Note 13(2).

(**) As part of the Blue Sky purchase agreement as detailed in Note 17(a)(11), it was determined that the minority rights holders will be entitled to receive a bonus subject to meeting the targets specified in the agreement. As of the Report Date, the Company estimates that there is no expectation of meeting the targets for receiving the bonus, and accordingly the contingent consideration has been fully reduced.

Note 29 - Income Tax:

a. The tax rate applicable to the Company in Israel is 23%, in the US 28%, and in Europe 22%.

b. Section 62 of the Income Tax Ordinance applies to the cooperative societies, which are held by the Company, which states that subject to the choice of the society, an agricultural cooperative society, for tax purposes, will be treated as a partnership. The associations held by the Company chose this option, and therefore, their tax liability applies to the Company according to its share.

c. The Company may recognize the expenses it incurred for the issuance of shares listed for trading on the Israel Stock Exchange in the year in which the issuance was carried out in accordance with the current provisions of the Income Tax Law (Deduction of Issuance Expenses), 5778-2018.

d. Final assessments:

In general, according to the provisions of the law, self-assessments submitted by the Company until the 2017 tax year are considered final (subject to the dates for submitting the reports and the statute of limitations).

Note 29 - Income Tax (cont.):

e. Net deferred taxes:

	Fixed assets	Losses carried forward	Cost overruns(*)	Other	Total
	NIS thousands				
As of December 31, 2021	**(71,068)**	**17,766**	**-**	**2,757**	**(50,545)**
Movement recognized in profit or loss	(14,420)	9,540	-	252	(4,628)
Movement in other comprehensive income	(8,562)	133	-	(52)	(8,481)
Entry into consolidation	(8,500)	7,908	(132,955)	-	(141,455)
As of December 31, 2022	**(102,550)**	**35,347**	**(132,955)**	**2,957**	**(197,201)**

(*) Cost overruns due to the attribution of deferred taxes, fixed assets, loans and investment in corporations are held according to the equity method. For more details, see Note 13(1)(b).

	Fixed assets (*)	Losses carried forward	Other	Total
	NIS thousands			
As of December 31, 2020	**(20,136)**	**15,623**	**106**	**(4,407)**
Movement recognized in profit or loss	(3,756)	2,143	1,645	32
Movement in other comprehensive income	(9,025)	-	(599)	(9,624)
Entry into consolidation	(38,151)	-	1,605	(36,546)
As of December 31, 2021	**(71,068)**	**17,766**	**2,757**	**(50,545)**

(*) Retrospective coordination of the temporary amounts recognized, see Note 13(2).

	As of December 31	
	2022	2021
	NIS thousands	
Presented in non-current assets	7,908	-
Presented in non-current liabilities	(205,109)	(50,545)
	(197,201)	**(50,545)**

f. Taxes on income (tax benefit) in the profit or loss statement:

	For the year ending December 31		
	2022	2021	2020
	NIS thousands		
Current taxes	155	-	-
Taxes for previous years	-	(161)	461
Deferred taxes	4,628	(32)	(13,786)
	4,783	**(193)**	**(13,325)**

Note 29 - Income Tax (cont.):

g. Accelerated depreciation - 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 portion each partner is entitled to in the tax year from the partnership's income will be considered the income of that partner and it will be included in its tax report. According to the Income Tax Regulations (Depreciation), 1941, a depreciation rate of 25% has been determined for facilities for generating electricity using solar energy, which make use of photovoltaic technology, which will apply to projects whose date of operation is as of January 1, 2009 to December 31, 2015. In 2018, the Finance Committee passed an update to the Regulations according to which the accelerated depreciation will be given to photovoltaic systems that produce electricity for self-consumption, which will begin commercial operation by December 31, 2020. In light of the fact that the aforementioned Regulations have not yet been renewed, the Company has stopped demanding accelerated depreciation regarding systems whose commercial operation began as of January 1, 2021.

h. Theoretical tax:

Below is an adjustment between the theoretical tax amount and the amount of taxes on the income recognized in profit or loss:

	For the year ended December 31,		
	2022	2021	2020
	NIS thousands		
Profit (loss) for the year before deducting income taxes	153,291	3,087	(265,731)
Corporate tax rate applicable to the Company	23%	23%	23%
Theoretical tax	35,257	710	(61,118)
Tax addition (savings) for:			
The Company's share of the losses (profits) of investee corporations treated using the equity method	(2,155)	(763)	219
Taxes for previous years	-	(161)	461
Utilization of other profits (and losses) for which deferred taxes are not recognized	8,488	-	(1,052)
Deferred tax due to accelerated depreciation transferred to the tax partner	9,206	-	-
Accounting profit from gaining control of an associate	(48,273)	-	-
The share of owners minority interests in the profits of consolidated partnerships	-	165	-
Issuance expenses allowed to the Company	-	(125)	(5,164)
Allotment of shares to officers	-	-	53,758
Adjustments due to a different tax rate in the consolidated companies	612	-	-
Share-based payment	1,318	853	-
Unrecognized expenses and other arrangements, net	175	872))	(429)
Total income tax (tax benefits)	**4,628**	**(193)**	**(13,325)**

Note 30 - Basic and diluted profit (loss) per share for the Company's shareholders:

Below are the figures for the profit for the year attributed to the Company's shareholders and the number of shares that were taken into account for the purpose of calculating the profit attributed to the Company's shareholders (see also Note 20 above):

	For the year ending December 31		
	2022	2021	2020
The profit (loss) used to calculate basic and diluted profit (loss) per share (NIS thousands)	153,746	4,383	(252,217)
The weighted average of the number of ordinary shares used to calculate basic and diluted profit (loss) per share in units	33,647,857	27,579,245	13,385,351

Note 31 - Interested parties and related parties:

A. General

Most of the Company's activity is done with investee companies.

Purchases and sales to related parties are made at market prices. Balances that have not yet been repaid by the end of the year are not guaranteed, do not bear interest and will be settled in cash. No guarantees were received or given for amounts receivable and payable. For the years that ended on December 31, 2022 and 2021, the Company did not record any provision for doubtful debts for amounts receivable from related parties.

B. Balances of interested parties and related parties

	As of December 31	
	2022	2021
	NIS thousands	
Customers and income receivable	226,321	221,479
Accounts receivable	48	-
Loans to investee companies	382,644	-
Liability for deferred consideration in a business combination	(109,244)	-
Accounts payable	(14,344)	)11,865(
Long-term loan from a related party (*)	(21,129)	(18,171)
Long-term loan to related parties (**)	29,809	-

(*) Loan received from Noy 3 for investment in infrastructure and energy starting in May 2020 at an annual interest rate of 6.5%

(**) In 2020, a consolidated corporation of the Company (hereinafter - Andromeda) entered into a tripartite loan agreement with the project companies (hereinafter: Olmedilla and Sabinar - and the local partner in Spain (related party) for the purpose of financing the projects. The loan is for a period of 13 years and carries an annual interest rate of 7%. The financing expenses were converted into eligible assets. On March 31, 2022, Olmedilla and Sabinar entered into a development agreement with the local partner in Spain to perform all operations and provide services for the development of the projects (authorizations, permits, land rights, licenses, etc.). In exchange for the services provided under the agreement, the developers will receive a fee according to the Mwp of the final capacity of the projects. It is agreed in the agreement that the 25% loans received will be classified as capital, and the remaining 75% as long-term loans, which accrue an interest rate of 7%. For more details, see Note 17(a)(8).

Note 31 - Interested parties and affiliates:

C. Transactions with interested parties and affiliates

	For the year ending December 31		
	2022	2021	2020
	NIS thousands		
Income	296,429	339,219	196,692
Financing expenses	2,210	1,450	371
Financing income	2,418	5,942	-

D. The Company's key management personnel include a member of the board of directors and members of the senior management.

	For the year ending December 31		
	2022	2021	2020
	NIS thousands		
Salary and related to key management personnel	4,198	3,173	1,722 (*)
Number of recipients	10	10	3
Management fees	911	914	1,070
Number of recipients	1	1	1
Allotment of shares and bonuses to officers	-	-	281,645
Number of recipients	-	-	3

* Includes four months for the salary of the CFO and the VP of Business Development, who are interested parties in the Company.

E. Salary and management agreements

1. Terms of office and employment of Mr. Ofer Yannay, Chairman of the Company's Board of Directors

In accordance with the agreement between the Company and a company under the control of Mr. Ofer Yannay (hereinafter: the “Management Company"), for providing the services of an active board chairman to the Company through him (in a full-time position scope), the Management Company was entitled during the above periods and until the update as detailed below, to management fees of two months in the amount of NIS 77 thousand per month (plus VAT), plus a vehicle and reimbursement of expenses as part of the performance of the position, in accordance with the new agreement signed on September 10, 2020 (hereinafter: "Effective Date"), for an indefinite period (hereinafter in this section: the "Management Agreement"), within the framework of which conditions were determined, while the main ones are as detailed below:

1) The Management Company will continue to provide management services through the controlling shareholder as part of fulfilling the position in the scope of a full-time position.
2) The Management Company will continue to be entitled to the monthly management fees against a legal tax invoice for the performance of the role (hereinafter: the “Management Fees"). The Management Fees will be increased by 5% each year. In addition, the controlling shareholder is entitled to the payment of reimbursements of expenses incurred for the purpose of fulfilling the position, against invoices, including reimbursement for the expenses of per diem, parking, travel, flights and car, for insurance coverage arranged by the Company as well as exemption and indemnification under the conditions.

Note 31 - Interested parties and affiliates (cont.):

i. Salary and management agreements (cont.):

3) The engagement in the Management Agreement can be terminated by the Company or by the Management Company by giving 6 months' notice, subject to exceptions.
4) The controlling shareholder and the Management Company are prohibited from competing with the Company until 12 months have passed from the date of termination of the engagement in the Management Agreement.
5) The terms of office and employment of the controlling shareholder are in accordance with the Company's remuneration policy.

2. Terms of office and employment of the CEO

In accordance with the employment agreements between the Company and the CEO, in exchange for his tenure, in the scope of a full-time position, the CEO will be entitled during the above periods and until an update as detailed below in relation to his share, to a monthly salary, plus additional conditions accepted by the Company.

As of September 10, 2020 (hereinafter: the "Effective Date"), the terms of office and employment of the CEO were updated, within the framework of employment relations according to the updated employment agreements. The main terms of the same are detailed below:

1) For fulfilling his duties, full-time, he is entitled to a gross monthly salary of NIS 53 thousand, plus additional conditions as is customary in the Company, including 22 vacation days per year, a pension arrangement, an advanced study fund, a car, and more, where the salary reflects the cost of employment to the Company of about NIS 70 thousand per month. The salary will be increased in the three years starting on the Effective Date, by 5% each year, so that the aforementioned increases will be carried out after 12 months, 24 months and 36 months from the Effective Date.
2) In addition, the CEO is entitled to insurance coverage arranged by the Company, as well as exemption and indemnity.
3) The terms of employment of the CFO and the VP of Business Development are the same as the terms of employment of the CEO, as detailed above.

Note 32: - Operating segments

As of the Report Date, the Company has several activities that include two sectors, which constitute its strategic business units. These business units include areas 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 methods of operation.

Below is a concise description of the business activity in each of the Company's activity sectors:

Initiation of and investment in photovoltaic systems:

Engaging in the initiation, licensing, management and financing of photovoltaic systems for the production of electricity from solar energy in Israel, using photovoltaic technology, on roofs, water reservoirs and land, with the aim of holding them as long-term owners, including through joint corporations held together with a third party whose investment in them is presented in the Company's financial statements as an investment in companies according to the equity method.

Initiating and investing in renewable energy abroad:

Engaging in the initiation, licensing, management and financing of photovoltaic systems for the production of electricity from solar energy abroad, using photovoltaic technology, on roofs, land and energy facilities with the aim of holding them as long-term owners, including through joint corporations held together with a third party whose investment in them is presented in the Company's financial statements as an investment in companies according to the equity method.

Note 32: - Operating segments (cont.)

Construction and operation of photovoltaic systems:

In the construction (EPC), and operation and maintenance (O&M) of photovoltaic systems, itself and through subcontractors. Within this field of activity, the Company is mainly engaged in the construction as well as the operation and maintenance of photovoltaic systems held by the Company in cooperation with third parties, through the joint project corporations, as part of activity
of the Company in the field of initiation and investment, as well as in the establishment and/or operation and maintenance of photovoltaic systems that is fully owned by third parties.

The construction activity segment does not include income from the construction of photovoltaic systems for the Company's own use.

The reports submitted to the Company's chief operational decision-maker, for the purpose of resource allocation and performance evaluation, reflect the Company's total revenues and its share of the revenues of the associates from electricity production, of all generating facilities held by the Company (directly and/or indirectly), by way of proportional consolidation, using the project EBITDA index, calculated as the aggregate total of the operating profit (revenues from electricity production minus operating and maintenance costs), neutralizing the depreciation of the systems, according to the amounts included in the financial statements of the project corporations.

A column of adjustments to the financial statement for external revenues includes the reversal of the Company's share of the revenues of the associate companies that were presented in the segments by way of relative consolidation. A column of adjustments to the financial statement to sector results - EBITDA, includes the reversal of the Company's share of the results of the associate companies that were presented in the segments by way of relative consolidation, and the addition of depreciation expenses of the systems that were neutralized.

For the year ended December 31, 2022

	Initiation and investment in photovoltaic systems in Israel	Construction and operation of photovoltaic systems in Israel	Initiating and investing in renewable energy abroad	Adjustments to the financial statement	Total in financial report
	NIS thousands				
Income from external	56,077	14,879	36,470	(51,758)	55,668
Inter-sector income	-	287,319	-	(1,419)	285,900
Total revenue	**56,077**	**302,198**	**36,470**	**(53,177)**	**341,568**
Sector results - EBITDA	36,017	1,928	29,953	(34,923)	32,975
Expenses (and income) not allocated to sectors:					
Management and general expenses					37,050
Marketing and sale expenses					8,757
Depreciation and amortization					14,696
Other expenses					23,356
Other income					(209,948)
Net financing expenses					5,773
Profit before tax					**153,291**

Note 32: - Operating segments (cont.):

For the year ended December 31, 2021

	Initiation and investment in photovoltaic systems in Israel	Construction and operation of photovoltaic systems in Israel	Initiating and investing in renewable energy abroad	Adjustments to the financial statement	Total in financial report
	NIS thousands				
Income from external	35,394	12,524	2,355	(28,085)	22,188
Inter-sector income	-	339,219	-	(856)	338,363
Total revenue	**35,394**	**351,743**	**2,355**	**(28,941)**	**360,551**
Sector results - EBITDA	23,598	31,531	2,322	(17,581)	39,870
Expenses (and income) not allocated to sectors:					
Management and general expenses					16,592
Marketing and sale expenses					7,516
Depreciation and amortization					6,689
Other expenses					381
Other income					(512)(*)
Net financing expenses					6,117(*)
Profit before tax					**3,087(*)**

(*) Retrospective coordination of the temporary amounts recognized, see Note 13(2).

Note 32: - Operating segments (cont.)

For the year ended December 31, 2020

	Initiation and investment in photovoltaic systems in Israel	Construction and operation of photovoltaic systems in Israel	Adjustments to the financial statement	Total in financial report
	NIS thousands			
Income from external	19,861	11,901	(14,838)	16,924
Inter-sector income	-	196,692	-	196,692
Total revenue	**19,861**	**208,593**	**(14,838)**	**213,616**
Sector results - EBITDA	13,980	32,004	(10,435)	35,549
Expenses (and income) not allocated to sectors:				
Management and general expenses				7,263
Marketing and sale expenses				2,797
Depreciation and amortization				3,233
Other income				(111)
Other expenses				1,954
Net financing expenses				4,490
Allotment of shares and one-time bonus to officers				281,654
Profit before tax				**(265,731)**

Note 33 - Financial Instruments:

a. Fair value

The book value of financial assets and liabilities, including cash and cash equivalents, short-term deposits, customers, other debtors, suppliers and other payables, short-term and long-term loans and credit, is consistent with or is close to their fair value. The fair value of the Company's Bonds as of December 31, 2022 is a total of NIS 699,510 thousand compared to the book value of NIS 735,233 thousand. Options granted to shareholders in associates are measured according to level 3 of the fair value scale. The change in value is credited each year to the statement of profit and loss to the financing expenses section. See details in section C later in the Note.

b. Risk management policy:

The Company's activity expose it to various financial risks, such as market risk, credit risk and liquidity risk. Risk management is performed by the Company's management.

1. Market risks:

   Market risks arise from the risk that the fair value or future cash flow of the financial instrument will change as a result of changes to the market prices. The market risks to which the Company is exposed include risk due to the volatility of the consumer price index and interest rate risk.

Balances on a linkage basis:

Section	As of December 31, 2022 NIS thousands						
	Dollar linked	Euro linked	Pound linked	Linked to other foreign currency	Index-linked	Unlinked	Amount
Cash and cash equivalents	53,269	50,123	43,240	214	-	91,019	237,865
Deposits from bank corporations and others	357,026	-	-	-	-	141,735	498,761
Restricted use deposits	-	-	-	-	-	370	370
Customers	2,369	2,704	-	-	-	245,126	250,199
Accounts receivable	4,466	17,749	2,245	3,494	-	29,480	57,434
Inventory	-	-	-	-	-	51,680	51,680
Total current assets	417,130	70,576	45,485	3,708	-	559,410	1,096,309
Investments in investee companies accounted for using the equity method	-	661,499	-	-	-	297,920	959,419
Right of use asset	31,766	109,107	-	1,421	44,237	18,131	204,662
Fixed assets	197,376	1,431,033	4,087	315	-	119,994	1,752,805
Intangible assets	148,353	352,499	-	-	-	-	500,852
Deposits in bank corporations and others	2,143	-	-	-	-	1,066	3,209
Long term deposits	35,190	-	236	-	-	343	35,769
Deferred taxes	-	7,908	-	-	-	-	7,908
Other debtors - related parties	-	29,809	-	-	-	-	29,809
Financial derivative	-	27,568	-	-	-	-	27,568
Total non-current assets	414,828	2,619,423	4,323	1,736	44,237	437,454	3,522,001
Total assets	831,958	2,689,999	49,808	5,444	44,237	996,864	4,618,310

Note 33 - Financial Instruments (cont.):

b. Risk management policy (cont.):

1. Market risks (cont.):

Balances on linkage basis:

Section	As of December 31, 2022 NIS thousands						
	Dollar linked	Euro linked	Pound linked	Linked to other foreign currency	Index-linked	Unlinked	Amount
Short-term loans and current maturities for long-term loans from banking and other corporations	310,543	19,240	-	-	-	907	330,690
Current maturities of long-term lease liability	1,909	5,044	-	183	4,847	1,413	13,396
Suppliers and service providers	19,626	36,932	2,257	921	-	41,241	100,977
Accounts payable	18,806	5,450				34,701	58,957
Liability for deferred consideration in a business combination	-	109,244	-	-	-	-	109,244
Current maturities of bonds	-	-	-	-	121,370	-	121,370
Financial derivatives	3,047	-	-	-	-	1,905	4,952
Total current liabilities	353,931	175,910	2,257	1,104	126,217	80,167	739,586
Long-term loans from banks	52,986	216,484	-	-	-	26,825	296,295
Lease liabilities	32,979	101,919	-	1,259	40,119	18,546	194,822
Loan from a related party	-	204	534	-	20,391	-	21,129
Deferred taxes	47,057	141,438	(259)			16,873	205,109
Bonds	-	-	-	-	613,863	-	613,863
Other liabilities	11,434	9,570	-	-	728	1,155	22,887
Total non-current liabilities	144,456	469,615	275	1,259	675,101	63,399	1,354,105
Shareholders' equity and premium	128,134	1,228,983	-	-	-	211,579	1,568,696
Loss balance	(9,177)	(1,811)	(1,162)	(1,429)	-	(54,954)	(68,533)
Capital reserves	6,918	25,275	218	27	-	85,413	117,851
Total capital attributed to shareholders of the Company	125,875	1,252,447	(944)	(1,402)	-	242,038	1,618,014
Non-controlling interests	57,057	850,502	(327)	(127)	-	(500)	906,605
Total capital	182,932	2,102,949	(1,271)	(1,529)	-	241,538	2,524,619
Total liabilities and equity	681,319	2,748,474	1,261	834	801,318	385,104	4,618,310

Note 33 - Financial Instruments (cont.):

b. Risk management policy (cont.):

1. Market risks (cont.):

Balances on linkage basis:

Section	As of December 31, 2021 NIS thousands					
	Linked to Dollars	Linked to Euros	Linked to the pound	Index-linked	Unlinked	Amount
Cash and cash equivalents	235,014	93,270	12,704	-	563,357	904,345
Shorts term deposits	-	-	-	-	161,025	161,025
Short term restricted cash	-	-	-	-	640	640
Customers	1,148	-	-	-	233,321	234,469
Accounts receivable	3,215	-	-	-	18,360	21,575
Inventory	-	-	-	-	56,619	56,619
Total current assets	239,377	93,270	12,704	-	1,033,322	1,378,673
Investments in investee companies 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	113,037	-	-	-	86,307	199,344
Intangible asset	131,111	-	-	-	-	131,111
Long term restricted cash	963	-	-	-	-	963
Long term deposits	-	-	-	-	5,530	5,530
Total non-current assets	272,296	273,218		27,464	226,122	799,100
Total assets	511,675	366,488	12,704	27,464	1,259,442	2,177,773

Note 33 - Financial Instruments (cont.):

b. Risk management policy (cont.):

1. Market risks (cont.):

Balances on linkage basis:

Section	As of December 31, 2021 NIS thousands					
	Linked to Dollars	Linked to Euros	Linked to the pound	Index-linked	Unlinked	Amount
Short-term loans, and current maturities for long-term loans from banking corporations	10,409	-	-	-	26,475	36,884
Current maturities of long-term lease liability	1,245	-	-	2,662	679	4,546
Suppliers and service providers	524	-	-	-	67,406	67,930
Accounts payable	12,425	-	-	-	6,406	18,699
Financial derivatives	-	-	-	-	1,981	1,981
Total current liabilities	24,603	-	-	2,622	102,815	130,040
Long-term loans from banks	43,393	-	-	-	22,677	66,070
Lease liabilities	27,888	-	-	25,939	9,739	63,566
Loan from minority	-	-	-	-	18,171	18,171
Deferred taxes	33,507	-	-	-	17,038	50,545
Bonds	-	-	-	398,318	-	398,318
Other liabilities	1,952	-	-	-	2,238	4,190
Total non-current liabilities	106,740	-	-	424,257	69,863	600,860
Shareholders' equity and premium	101,957	-	-	-	1,466,739	1,568,696
Loss balance (surpluses)	(5,650)	-	-	-	(219,801)	(225,451)
Capital reserves	(5,226)	-	-	-	54,632	49,406
Total capital attributed to shareholders of the Company	91,081	-	-	-	1,301,570	1,392,651
Non-controlling interests	51,802	-	-	-	2,420	54,222
Total capital	154,803	-	-	-	1,292,070	1,446,873
Total liabilities and capital	274,226	-	-	426,879	1,476,668	2,177,773

Note 33 - Financial Instruments (cont.):

b. Risk management policy (cont.):

2. Interest risk:
   With the exception of a transaction detailed in Section H, the Company has no additional instruments that reduce exposure to changes in the variable interest rate.
3. Currency risk
   Foreign currency risk is the risk at which the fair value or the future cash flows of a financial instrument will change as a result of changes in the exchange rates of a foreign currency.
4. Credit Risk:
   The credit risk is the risk that one party of the financial instrument will cause a financial loss to the other party by failing to meet its obligations. The Company's credit risk mainly stems from its customers, banks and other debtors.
5. Customers:
   In the Company's opinion, there is no need for a provision for impairment regarding debts that are not in arrears or in arrears of up to 60 days, and this is based on past experience regarding these debts, and also because the bulk of the amount consists of related parties. As of December 31, 2022, most of the remaining customers are customers for whom there is no need for 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. A liquidity risk is a risk that the Company will have difficulty meeting its obligations related to financial liabilities that are cleared by cash or another financial asset. The Company's policy is to ensure that the cash held is always sufficient to cover the liabilities when they become due. In order to achieve this goal, the Company aims to hold cash balances (or suitable lines of credit), to meet the forecasted requirements, for a period of at least 45 days.
   Below is the analysis of the contractual maturity dates of financial obligations based, where relevant, on nominal values for the settlement of interest rates and exchange rates as of the end of the Reporting Period:

Note 33 - Financial Instruments (cont.):

6. Liquidity risk (cont.):

	Repayment dates						
As of December 31, 2022	During the coming year	Between one and two years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over five years	Total
	NIS thousands						
Accounts payable	51,411	-	-	-	-	-	51,411
Suppliers and service providers	100,977	-	-	-	-	-	100,977
Liabilities for leases	12,197	11,736	10,736	10,302	10,337	216,688	271,996
Related parties	109,244	-	-	-	-	21,129	130,373
Other liabilities	1,404	1,026	1,704	2,084	46	11,453	17,717
Bonds	121,370	91,027	75,856	60,685	409,623	-	758,561
Financial derivatives	4,952	-	-	-	-	-	4,952
Credit from bank corporations and others	330,690	21,684	22,134	22,488	26,127	176,998	600,121
Total	732,245	125,473	110,430	95,559	446,133	426,268	1,936,108

*The data above are presented according to their stated value at the maturity date, linked to the index/exchange rate as of the balance sheet date.

	Repayment dates						
As of December 31, 2021	During the coming year	Between one and two years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over five years	Total
	NIS thousands						
Accounts payable	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 a related party	-	-	-	-	-	18,171	18,171
Other long-term liabilities	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 banks	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

Note 33 - Financial Instruments (cont.):

7. Capital management:
The Company includes as capital the paid-up share capital, premium, surpluses and capital reserves for the revaluation of fixed assets and adjustments resulting from the translation of financial statements of foreign activities.
The Company's main goal in capital management is to ensure the ability to regularly provide a return to shareholders by way of capital growth or profit distributions. In order to meet this goal, the Company strives to maintain a leverage ratio that balances the risks and returns at a reasonable level, while maintaining a funding base that will allow the Company to meet its investment and working capital needs. When making decisions about capital changes, the Company does not only consider its short-term situation but also its long-term goals.

ג. Financial instruments recognized in the Statement of Financial Position

As of December 31, 2022				
	Level 1	**Level 2**	**Level 3**	**Total**
NIS thousands				
Non-current financial assets - fair value through other comprehensive income				
Derivatives (**)	-	27,568	-	27,568
Current financial liabilities - fair value through profit and loss				
Options granted to shareholders in associated companies	-	(3,047)	(1,905)	(4,952)

(*) For more details about measuring fair value, see Note 2(19).
(**) The Company's consolidated corporation has a variable interest loan. In order to reduce exposure, the consolidated corporation entered into a hedging transaction whose net fair value as of December 31, 2022 is positive in the amount of NIS 27,568 thousand. The transaction is for a term of up to 14 years and includes the purchase of an IRS (Interest Rate Swap).

As of December 31, 2021				
	Level 1	**Level 2**	**Level 3**	**Total**
NIS thousands				
Current financial liabilities - fair value through profit and loss				
Options granted to shareholders in associated companies	-	-	(1,980)	(1,980)

Note 34 - Events after the date of the Statement of Financial Position:

a. **Sabinar project**

Further to Note 17(a)(8), on February 17, 2023, Sabinar Hive, S.I. (the "Borrower"), a corporation indirectly held by the Company at a rate of approximately 47%, entered into a framework agreement with a German financial body, to receive senior financing in the amount of EUR 131.97 million at annual interest at a rate of 4.6% for one year and for a period of up to 20 years, which will be provided in two withdrawals and will be used mainly to repay shareholder loans that were invested and will be invested for the construction of the Sabinar I and Sabinar II projects. The Sabinar projects are solar projects with a total capacity of about 238 megawatts in Spain, which include the Sabinar I projects, with a capacity of about 155 megawatts, which is connected to the electricity grid in Spain and the sale of electricity from it has begun, and the Sabinar II project, with a capacity of about 83 megawatts, which is under construction.

b. **Storage project in the UK**

Further to Note 17(a)(14), on February 22, 2023, the Company reported that Atlantic Green continued to increase its storage project backlog and entered into an agreement to purchase the entire share capital of the corporation that holds the rights to establish two adjacent storage projects with an estimated grid connection capacity of 130 megawatts, and an estimated storage capacity supply with an estimated capacity of approximately 260 megawatt hours, assuming use of batteries with a storage capacity of two hours (Toton project).

The Company would also like to update that on February 21, 2023, Atlantic Green completed the transaction for the purchase of the holdings in the Cellarhead project after the approval of the planning committee (Planning Consent) for the project was received, and on February 22, 2023, the completion of the purchase of holdings in the Buxton project began.

The above are in addition to the Company's previous reports regarding the establishment of the Atlantic Green UK Limited development platform, which deals with the initiation, development, construction, financing and operation of energy storage projects in the United Kingdom ("Atlantic Green"), entry into the Cellarhead projects (a storage project with an estimated capacity of about 700 megawatt hour) and Buxton (storage project of about 60 megawatt hour).

c. **Malfunction at a substation**

As part of the running procedures of the Olmedilla and Sabinar I project, during the first quarter of 2023, a technical fault occurred in the substation, which necessitated a complete stoppage of the flow of electricity to the grid. It is noted that in the Company's estimation, loss of revenue as a result of the stoppage of the flow to the grid will be covered under the warranty and obligations of the construction contractor. Therefore, in the Company's estimation, despite the expected decrease in revenues from the sale of electricity in the first quarter of the year, the aforementioned stoppage of flows is not expected to cause financial damage to the Company (since the Company is expected to receive compensation equal to the loss of revenues).

d. **Entering into an investment and loan agreement to increase holdings in Sunprime**

Further to Note 17(a)(7), on March 2023, 2023, Andromeda, a corporation indirectly held by the Company at a rate of 52.5%, entered into investment and loan agreements with Sunprime Holding, regarding the possibility of converting loans in the amount of up to EUR 22.5 million that it previously provided for Sunprime Holding shares, as well as the provision of additional convertible loans under terms as set forth in this report below, such that after providing and converting all the aforementioned shareholder loans, if converted, Andromeda's holdings will increase to 60% of Sunprime Holding's share capital and the Company's holdings will increase to 31.5%, indirectly.

Note 34 - Events after the Date of the Statement of Financial Position (cont.):

e. Meteo-Logic

In March 2023, the Company entered into and completed an investment and loan transaction with Meteo-Logic Ltd ("Meteo-Logic").Meteo-Logic is an Israeli high-tech company that has developed a unique engine, based on artificial intelligence (AI), for automatic trading in energy assets traded on global exchanges - future contracts of electricity, gas and more.

To the best of the Company's knowledge, Meteo-Logic uses this data to predict electricity prices and open trading positions on the electricity exchange.

As part of the investment deal, the Company invested a total of EUR 3 million in Meteo-Logic against the allotment of shares at a rate of approximately 5% of Meteo-Logic's share capital, and also undertook to provide Meteo-Logic with a loan of up to EUR 5 million for a period of two years, intended for trade on the electricity exchange.

Holdings Appendix

Below is a list of the Company's Investee Corporations and the rates of their holdings, as of December 31, 2022 and 2021:

a. Entities incorporated in Israel whose primary place of operations is Israel.

Entity name	December 31, 2022	December 31, 2021
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 Hashlosha 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.	15%	15%
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%

Entity name	December 31, 2022	December 31, 2021
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%
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	52.5%	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.	20%	20%
Nofar Afek Cooperative Agricultural Association Ltd.	50.01%	50.01%
Nofar Energy Afifit PV Limited Partnership	25%	25%
Nofri Emek Hayarden Solar Energy Cooperative Agricultural Association Ltd.	21.3%	21.3%
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%

Entity name	December 31, 2022	December 31, 2021
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.	25%	100%
Nofar-Ackerstein Solar Energy, Limited Partnership	20%	20%
Nofar Gavim Cooperative Agricultural Association Ltd.	20%	20%
Nofar Energy, Limited Partnership	100%	100%
Nofar Energy USA, Limited Partnership	99.8%	99.8%
Nofar Energy Europe, Limited Partnership	99.8%	99.8%
Nofar Energy (Management) Ltd.	99.9%	99.9%
Nofar-Noy PVGP Ltd.	85%	85%
Nofar Neve Ilan Cooperative Agricultural Association Ltd.	50%	50%
Reservoirs PV A.A.N. Cooperative Agricultural Association Ltd.	21.3%	21.3%
Nofar Elifaz PV Roofs Cooperative Agricultural Association Ltd.	25%	25%
Nofar Tze'elim Reservoirs PV 2 Cooperative Agricultural Association Ltd.	42.5%	42.5%
Agira Nofar Nir Yitzhak Cooperative Agricultural Association Ltd.	49%	49%
Nofar Energy Sano, Limited Partnership	100%	100%
Nofar Hogwarts PV Limited Partnership	99.9%	99.9%
Nofar Merkavim PV Limited Partnership	99.9%	99.9%
Nofar Energy Mishmarit, Limited Partnership	49.9%	49.9%
Nofar-Ackerstein (Management) Ltd.	20%	20%
Nofar Ashlad (Management) Ltd.	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%
Nofar Electricity Supply, Limited Partnership	100%	-
Nofar Energy USA (Management) Ltd.	100%	-
Nofar Gilgal PV 1, Limited Partnership	100%	-
Nofar Nir Eliyahu Cooperative Agricultural Association Ltd.	25%	-
Nofar Energy Wizzotzky, Limited Partnership	20%	-
Nofar Mishmar Hanegev Polibid Cooperative Agricultural Association	20%	-

Entity name	December 31, 2022	December 31, 2021
Sadeh Nofarim Cooperative Agricultural Association Ltd.	50%	-
Nofar Hefetz Haim Cooperative Agricultural Association Ltd.	20%	-
Nofar Revivim, Limited Partnership	25%	-
Nofar Dalia Reservoirs, Limited Partnership	34%	-
Nofar Maagan Michael Cooperative Agricultural Association Ltd	25%	-
Nofar Galon Cooperative Agricultural Association Ltd.	25%	-
Agricultural Energy Cooperative Agricultural Association Ltd.	25%	-
Nofar Milgam Energy, Limited Partnership	50%	-
Nofar New Solar General Partner Ltd.	65%	-
Nofar Sde Eliyahu PV, Limited Partnership	100%	-
Nofar Negba Reservoirs (Management) Ltd.	100%	-
Nofar Negba Reservoirs, Limited Partnership	99.9%	-
Nofar Mesda PV Roofing Cooperative Agricultural Association Ltd.	50%	-
Nofar Mesda Of Tov Cooperative Agricultural Association Ltd.	40%	-
Zurim Etzion Nofar Cooperative Agricultural Association Ltd.	15%	-
PV Lands Nofar Elipaz Cooperative Agricultural Association	49%	-
Nofar Naan Cooperative Agricultural Association Ltd.	20%	-
Nofar Hod Etzion Cooperative Agricultural Association Ltd.	15%	-
Nofar Park Edison 2, Limited Partnership	50%	-
Nofar Energy Amitzur, Limited Partnership	25%	-
Nofar Oz, Limited Partnership	30%	-
Nofar Water Works in the Upper Galilee Cooperative Agricultural Association Ltd.	42.5%	-
Nofar Energy Holdings 36, Limited Partnership	99.8%	-
Nofar Energy Holdings 18, Limited Partnership	99.8%	-
Nofar Energy Wizzotzky (Management) Ltd.	20%	-
Nofar Dalia Reservoirs (Management) Ltd.	34%	-
Nofar Revivim (Management) Ltd.	25%	-
Nofar Energy Amitzur (Management) Ltd.	25%	-
Nofar Oz (Management) Ltd.	30%	-
Nofar Milgam Energy (Management) Ltd.	49%	-
Tnuport-Nofar (Management) Ltd.	17.5%	-

f. Corporations that are domiciled abroad

Entity name	December 31, 2022	December 31, 2021	Place of incorporation
BLUE SKY UTILITY LLC	67%	67%	USA
BLUE SKY UTILITY HOLDINGS LLC	67%	67%	USA
ANDROMEDA SOLUTIONS K.F.T	52.5%	40%	Spain
OLMEDILLA HIVE, S.L	49.9%	38%	Spain
SABINAR HIVE, S.L	47.3%	36%	Spain
GRID HIVE, S.L	48.3%	36.8%	Spain
SUNPRIME GENERATION SRL	26.3%	16%	Italy
NOFAR USA LLC	100%	100%	USA
ATLANTIC GREEN UK LIMITED	75%	75%	England
NOVENTUM POWER LIMITED	80%	80%	England
NOFAR RATESTI B.V	100%	100%	Romania
RATESTI SOLAR PLANT SRL	50%	50%	Romania
NOFAR EUROPE B.V	90%	90%	Netherlands
NOFAR ENERGY SRL	90%	90%	Romania
NOFAR ADRIA D.O.O. BEOGRAD	77.9%	84.6%	Serbia
Nofar Energy CZ S.R.O.	81%	81%	Czech Republic
NOFAR ENERGY POLAND 1 sp. Z	90%	90%	Poland
ELECTRUM NOFAR sp. Z	72%	80%	Poland
SUN ENERGY PROJEKT sp z.o.o	64.8%	-	Poland
BARTODZIEJE sp z.o.o ELEKTROWNIA	72%	-	Poland
INTER WORKS sp z.o.o	72%	-	Poland
ELECTRUM PV 7 sp z.o.o	72%	-	Poland
SOLARIKA sp z.o.o	72%	-	Poland
ELECTRUM PV 6 sp z.o.o	72%	-	Poland
MDW ENERGY sp z.o.o	72%	-	Poland
SunPrime Development S.r.l	26.3%	-	Italy
SunPrime Sustainable Solar S.r.l	26.3%	-	Italy
SunPrime Solar Belt S.r.l	26.3%	-	Italy
Sunprime Energia Distribuita S.r.l	26.3%	-	Italy
Sunprime Energia Ovunque S.r.l	26.3%	-	Italy
Sunprime MT S.r.l	26.3%	-	Italy
SunPrime Holdings SRL	26.3%	-	Italy

Part C

Separate financial information as of December 31, 2022

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Special Report by the Auditor to the Shareholders of O.Y. Nofar Energy Ltd. as to Separate Financial Information under Article 9c of the Securities Regulations (Periodic and Immediate Reports), 5730-1970

We have audited the separate financial information included under Article 9c of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 of O.Y. Nofar Energy Ltd. (hereinafter: the "Company") as of December 31, 2022 and 2021, and for each of the three years during the period ending on December 31, 2022. The separate financial information is the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion as to the separate financial information based on our audit.

The data contained in the separate financial information and referring to the balance in respect of investee companies, net, and the profit (loss) in respect of investee companies, net, are based on financial statements, some of which have been audited by other accountants.

We have conducted our audit in accordance with the customary auditing standards in Israel. Based on these standards, we are required to plan the audit and execute it in order to obtain a reasonable degree of certainty that the separate financial information does not contain a material misstatement. An audit includes a sample inspection of evidence supporting the amounts and details included in the separate financial information. An audit also includes a review of the accounting rules applied in the preparation of the separate financial information and the significant estimates used by the Company's board of directors and management, as well as an evaluation of the accuracy of the presentation in the separate financial information. We believe that our audit and the other accountant reports provide a sufficient basis for our opinion.

In our opinion, based on our audit and the reports of the other accountants, the separate financial information is prepared, from all material respects, in accordance with the provisions of Article 9c of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

Tel Aviv, March 29, 2023

Ziv Haft

Certified Public Accountants

Tel Aviv	Jerusalem	Haifa	Be'er Sheva	Bnei Brak	Kiryat Shmona	Petach Tikva	Modiin Illit	Nazareth Illit	Eilat
03-6386868	02-6546200	04-8680600	077-7784100/2	073-7145300	077-5054906	077-7784180	08-9744111	04-6555888	08-6339911

Main Office: Amot BDO House, 48 Menachem Begin Road, Tel Aviv, 6618001 E-mail: bdo@bdo.co.il Visit our website: www.bdo.co.il

Financial Data from the Consolidated Statements of Financial Position Attributed to the Company Itself as a Parent Company

	As of December 31	
	2022	2021
	NIS thousands	
Assets		
Current assets:		
Cash and cash equivalents	172,174	831,623
Shorts term deposits	498,761	161,025
Restricted use deposits	370	640
Customers	244,752	234,007
Accounts receivable	33,641	20,476
Inventory	51,680	56,619
Total current assets	**1,001,378**	**1,304,390**
Non-current assets:		
Balances for investee companies	1,718,530	548,888(*)
Long-term restricted cash	1,065	-
Right of use asset	54,232	28,329
Fixed assets	105,985	74,121
Long term deposits	35,533	5,530
Total non-current assets	**1,915,345**	**656,868**
Total assets	**2,916,723**	**1,961,258**

(*) Retrospective coordination of the temporary amounts recognized, see Note 13(2) to the Company's consolidated reports for December 31, 2022

The notes attached constitute an integral part of the financial statements.

Financial Data from the Consolidated Statements of Profit or Loss and Other comprehensive income Attributed to the Company Itself as a Parent Company

	As of December 31	
	2022	**2021**
	NIS thousands	
Liabilities and equity		
Current liabilities:		
Short-term loans and current maturities for long-term loans from banks	285,592	26,636
Current maturities of lease liabilities	5,892	2,930
Suppliers and service providers	40,349	60,094
Accounts payable	32,337	6,273
Liability for deferred consideration in a business combination	109,244	-
Financial derivatives	4,952	1,981
Loan from an investee company	-	15,449
Current maturities of bonds	121,370	-
Total current liabilities	**599,736**	**113,363**
Non-current liabilities:		
Long-term loans from banks	16,928	12,597
Liabilities for leases	49,313	26,000
Bonds	613,863	398,318
Deferred taxes	18,141	17,702
Other liabilities	728	627
Total non-current liabilities	**698,973**	**455,244**
Capital attributed to the Company itself as a parent company:		
Shareholders' equity and premium	1,568,696	1,568,696
Loss balance	(68,533)	(225,451)(*)
Capital funds	117,851	49,406
Total capital attributed to the Company itself as a parent company	**1,618,014**	**1,392,651**
Total liabilities and capital	**2,916,723**	**1,961,258**

(*) Retrospective coordination of the temporary amounts recognized, see Note 13(2) to the Company's consolidated reports for December 31, 2022

The notes attached constitute an integral part of the financial statements.

March 29, 2022			
Date of approval of the financial statements for publication	**Ofer Yannay Chairman of the Board**	**Nadav Tenne CEO**	**Noam Fisher CFO**

Nofar

Financial Data from the Consolidated Statements of Profit or Loss and Other Comprehensive Income Attributed to the Company Itself as a Parent Company

	For the year ending December 31		
	2022	**2021**	**2020**
	NIS thousands		
Income	311,019	357,270	213,423
Company's share in the profits (losses) of companies handled based on the equity method, net	(10,493)	5,038 (*)	(1,573)
Total income	**300,526**	**362,308**	**211,850**
Construction and operating costs	309,090	324,291	180,328
Marketing and sale expenses	7,653	7,451	2,798
Management and general expenses	18,552	11,473	7,426
Other expenses, net	23,190	313	1,843
Total expenses	**358,485**	**343,528**	**192,395**
Other income	209,885	-	-
Allotment of shares and one-time bonus to officers	-	-	281,654
Operating profit (loss)	**151,926**	**18,780**	**(262,199)**
Financing expenses	44,378	18,546	3,919
Financing income	42,283	6,549	1,030
Financing expenses, net	**2,095**	**11,997**	**2,889**
Profit (loss) before taxes on income	**149,831**	**6,783**	**(265,088)**
Income tax expenses (tax benefits)	(3,915)	2,400	(12,871)
Profit (loss) for the year	**153,746**	**4,383**	**(252,217)**
Other comprehensive income (loss) (after tax impact):			
Amounts that will be classified or reclassified to profit or loss if specific conditions are met:			
Adjustments arising from translation of financial statements for foreign operations	55,096	(29,833)	(192)
Items not reclassified later to profit and loss:			
Part of other comprehensive income of corporations accounted for using the equity method	10,134	25,613	19,307
Revaluation for fixed assets	653	9,406	265
	10,787	**35,019**	**19,572**
Total other comprehensive income	**65,883**	**5,186**	**19,380**
Total comprehensive profit (loss) for the year	**219,629**	**9,569**	**(232,837)**

(*) Retrospective coordination of the temporary amounts recognized, see Note 13(2) to the Company's consolidated reports for December 31, 2022

The notes attached constitute an integral part of the financial statements.

Financial Data from the Consolidated Statements of Cash Flows Attributed to the Company Itself as a Parent Company

	For the year ending December 31		
	2022	**2021(*)**	**2020**
	NIS thousands		
Cash flow from current operations:			
Profit (loss) for the year	153,746	4,383	(252,217)
Adjustments required to present cash flows from operating activities:			
Current tax expenses	(4)	-	-
Depreciation and amortization	7,305	3,449	2,605
Net financing expenses	2,095	11,997	2,889
Allotment of shares to officers	-	-	233,732
Company's share in the losses (profits) of companies accounted for based on the equity method, net	10,493	(5,038)	1,573
Profit from increase to control of associate	(209,885)	-	-
Capital loss	(23)	128	-
Share-based payment expenses	5,734	3,707	-
	(184,285)	**14,243**	**240,799**
Changes in sections of assets and liabilities:			
Decrease (increase) in inventory	4,939	9,064	(59,766)
Increase in customers	(164,397)	(77,660)	(115,023)
Decrease (increase) in receivables	(11,938)	9,345	(13,875)
Increase (decrease) in accounts payable	21,887	1,202	(580)
Change in shareholders	-	-	103
Increase (decrease) in suppliers and service providers	(25,359)	(32,427)	72,997
Change in deferred taxes	(3,910)	2,566	(13,331)
Increase (decrease) in current tax liability	-	(166)	421
	(178,778)	**(88,076)**	**(129,054)**
Income tax paid	-	(1,468)	-
Taxes received	4	99	1,002
Interest received in cash	7,500	-	57
Interest paid in cash	(13,826)	(1,431)	(2,753)
Net cash used for current activities	**(215,639)**	**(72,250)**	**(142,166)**
Cash flows from investment activities:			
Investments in corporations accounted for using the equity method	(277,435)	(228,154)	(71,101)
Investment in subsidiaries	(354,165)	(182,664)	(303)
Loan to a related company	(26,337)	(3,520)	-
Decrease (increase) in restricted use deposits	(795)	(520)	1,043
Change in deposits	(364,074)	(59,202)	(106,742)
Investments in fixed assets	(22,009)	(11,048)	(14,532)
Exercise of fixed assets	134	1,527	16
Net cash used for investing activity	**(1,044,681)**	**(483,581)**	**(191,619)**
Cash flows from financing activities:			
Issue of shares (less issuance expenses)	-	554,485	224,680
Issue of shares to the public (less issuance expenses)	-	-	555,798
Short term credit from banks, net	260,807	(2,154)	(23,993)
Issue of bonds, net	311,673	394,421	-
Repayment of lease liabilities	(5,068)	(1,416)	(308)
Taking (repayment) of a loan from an investee company	-	(16,710)	32,178
Receipt of long-term loans from bank corporations	4,771	-	14,443
Repayment of long-term loans from bank corporations	(673)	(3,230)	(3,729)
Net cash arising from financing activities	**571,510**	**925,396**	**799,069**
Increase in cash and cash equivalents	(688,810)	369,565	465,284
Balance of cash and cash equivalents at beginning of year	831,623	471,238	6,184
Impact of changes in foreign exchange rates for cash and cash equivalents	29,361	(9,180)	(230)
Balance of cash and cash equivalents at end of year	**172,174**	**831,623**	**471,238**

(*) Retrospective coordination of the temporary amounts recognized, see Note 13(2) to the Company's consolidated reports for December 31, 2022.

The notes attached constitute an integral part of the financial statements.

Financial Data from the Consolidated Statements of Cash Flows Attributed to the Company Itself as a Parent Company

	For the year ending December 31		
	2022	2021	2020
	NIS thousands		
Appendix A - Substantial non-cash transactions			
Initial recognition of right of use asset and lease liability	29,319	17,312	2,291
Consideration from the exercise of fixed assets	-	2,865	-
Purchase of fixed assets against supplier credit	9,100	-	-
Liability for deferred consideration in a business combination	109,244	-	-

The notes attached constitute an integral part of the financial statements.

Additional material information attributed to the Company itself as a parent company as of December 31, 2022

Note 1 - Details of the separate financial information:

1.1 Principles of preparation of the separate financial information:

The separate financial information of O.Y. Nofar Energy Ltd. (hereinafter: the "**Company**") includes financial data from the consolidated financial statements of the Company, attributed to the Company itself as a parent company, and prepared in accordance with the requirements of Article 9c and the Tenth Addendum to the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

The accounting policy applied in the separate financial information is the same as the accounting policy detailed in Note 2 to the Company's consolidated financial statements as of December 31, 2022, subject to the above in this section and the contents of Note 1.2 below.

1.2 Accounting of inter-company transactions:

In the separate financial information, transactions between the Company and consolidated companies, which were eliminated in the consolidated financial statements, were recognized and measured. The recognition and measurement was done in accordance with the principles of recognition and measurement established in international financial reporting standards, such that these transactions were accounted for as transactions carried out with third parties.

The statements included in the separate financial information present intercompany balances and income and expenses for intercompany transactions, which were eliminated in the consolidated financial statements, separately from the "balances for investee companies," from the "Company's share of losses (profits) of companies accounted for using the equity method, net," and from the "other comprehensive income (loss) of corporations accounted for using the equity method, net," such that the capital attributed to the owners of the parent company, the profit (loss) for the period attributed to the owners of the parent company, and the total comprehensive profit (loss) for the period attributed to the owners of the parent company on the basis of the Company's consolidated statements are identical to 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 the total comprehensive profit (loss) for the period attributed to the company itself as a parent company, respectively, on the basis of the separate financial information of the Company.

As part of the cash flow amounts attributed to the Company itself as a parent company, the net cash flows in respect of transactions with consolidated companies are shown as part of current activity, investment activity or financing activity, as relevant.

The above does not apply to transactions carried out by the Company with third parties in connection with consolidated companies.

Additional Material Information Attributed to the Company Itself as a Parent Company as of December 31, 2022

Note 2 - Transactions and material balances with investee companies:

a. Balances of interested parties and affiliates

	As of December 31	
	2022	2021
	NIS thousands	
Customers and income receivable	227,793	222,115
Accounts receivable	1,253	-
Investments in related corporations	1,711,912	548,888
Liability for deferred consideration in a business combination	109,244	-
Accounts payable	-	15,449

b. Transactions with interested parties and affiliates

	For the year ending December 31		
	2022	2021	2020
	NIS thousands		
Income	287,319	339,219	196,692
Financing income (expenses)	(283)	4,998	-

Part D

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, 2022

Report Date or Date: March 29, 2023

Report Period: Year ended December 31, 2022

The Periodic Report: The Company's Periodic Report for 2022

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
Revenues	91,918	92,926	82,058	57,666	324,568
Other income tax partner	3,607	463	351	3,208	7,629
Equity Profits/ Loss	(1,016)	3,667	5,309	1,411	9,371
Total revenues and profits	94,509	97,056	87,718	62,285	341,568
Setup and operating costs	83,681	90,681	79,705	68,237	322,304
Administrative and general expenses	7,621	9,973	8,743	11,698	38,035
Sales and marketing expenses	2,426	1,690	2,512	2,129	8,757
Other expenses	---	864	10,641	11,851	23,356
Total expenses	93,728	103,208	101,601	93,915	392,452
Other incomes	(224)	30	255	209,887	209,948
Operating profit (loss).	557	(6,122)	(13,628)	178,257	159,064
Financial expenses	10,119	11,727	13,053	17,558	52,457
Financing income	7,048	15,252	8,949	15,435	46,684

Profit (loss) before income taxes	3,071	(3,525)	4,104	2,123	5,773
Profit (loss) before income taxes	(2,514)	(2,597)	(17,732)	176,134	153,291
Income taxes (tax benefits)	5,444	(673)	(327)	339	4,783
Net profit (loss) for the year	(7,958)	(1,924)	(17,405)	175,795	148,508
Other Comprehensive Profit/Loss	3,595	43,162	(51,588)	226,188	221,357

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 Company[1]. In return for the shares issued, the company received a consideration (gross) in the total amount of **577,974 thousand NIS**.

In August 2021 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 were offered by the Company by way of an IPO. And 351,750 shares were offered by Mr. Ofer Yannay, the controlling shareholder in the company and chairman of the 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)	Value (in thousands of NIS) in the separate financial statements of the Company as of 31/12/2022	Exchange Rate	Holding Rate in chain % of capital 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 Rate	Years of Redemption	Linkage Conditions and Linkage Basis	Details of rights to exchange bonds/ loans in shares or other convertible securities
Noy-Nofar Renewable Energies Europe, Limited Partnership ("Noy-Nofar Europe")[2]	---	---	---	900,034	---	52.5%	---	---	---	---	---
Olmedilla Hive S.L[3]	Ordinary Shares	2,850	1	---	---	50%	---	---	---	---	---

(1) The table does not include holding companies.
(2) As of the date of the report Neu-Nofer Europe holds through Andromeda Solutions K.F.T. in Olmedilla, Sabinar and Sunprime. The holdings detailed in the table are the holdings of Neu-Nofer Europe in these companies. The share of the company's holdings in the chain is 52.5% of the holdings in the table. Since Venoy Nofer Europe owns these companies, the book value is the value of Noy Nofer Europe in the company's financial statements (which also includes the holdings in Olmedilla, Sabinar and Sunprime)
(3) Nofar Europe owns Electrum Nofar. The holdings listed in the table are Nofar Europe's holdings in Electrum Nofar. Accordingly, the book value of Nofar Europe also includes its holding in Electrom-Nofar. The company's share of the chain in Electrum Nofar is 72%.

Sabinar Hive S.L [2]	Ordinary Shares	2,700	1	---	---	47%	---	---	---	---	---
Sunprime Holdings SRL [2]	Ordinary Shares	---	---	---	---	26%	---	14%-5%	2025	---	For details regarding the investment agreement and the convertible loan, see an immediate report published by the company on March 15, 2023 (Reference No. 2023-01-027261), in which the aforementioned information is presented in this report via the referral method
Nofar Europe B.V[3]	Ordinary Shares	90	0.01	13,429	---	90%	5,561	5%-14% Subject to the limit on transfer prices	2026	---	---
Nofar Ratesti B.V [4]	Ordinary Shares	1	1	47,235	---	100%	255,247	5%-14% Subject to the limit on transfer prices	2026	---	---
Ratesti Solar Plants s.r.l[4]	Ordinary Shares	245,819	1	28,261	---	50%	---	5%-14%	2026	---	---
Electrum Nofar sp.z.o.o[3]	Ordinary Shares	16,000	100	---	---	72%	---	5%-14%	2032	---	---
Blue Sky Utility LLC and Blue Sky Utility Holdings LLC ("Blue Sky")	Security Interest	---	50	---	---	67%	44,133	5%-14%	2032	---	---

(4) Nofar Ratesti owns Ratesti Solar Plant. Accordingly, the book value is the value of Nofar Ratesti which also includes its holding in Ratesti Solar Plant.
(5) The table includes a range of all the interest rates that the company offers to the group companies, in light of the sensitivity in publishing the exact interest rate arising from the fact that in a substantial part of the projects the company also provides the necessary financing for the company's partner in the various projects.

Nofar Energy SA Limited partners	---	---	---	81,751	---	100%	---	9%	---	---	---
Atlantic Green UK Limited	Ordinary Shares	300	---	---	---	75%	10,137	5%-14%	Cash Sweep	---	---
Noventum Power Limited	Ordinary Shares	80	1	---	---	80%	2,862	5%-14%	2031	---	---
Nofar Noy Limited partners ("Nofar, Noy reservoir")	---	---	1	---	---	85%	26,335	6.5%	Cash Sweep	---	---
Nofar Milgam Energy, Limited partnership (NOFAR Milgam)	---	---	---	63,049	---	50%	---	---	---	---	---

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 2022 in subsidiaries and affiliated companies:

The Corporate Group	Amount of Investment (in thousands NIS)	The date of the investment	Loan/ Investment
Noy-Nofar Europe	203,425	1-12/2022	In December, the company entered into and completed a deal to purchase 12.5% of the holdings in Nei Nofer Europe. For details, see an immediate report published by the company on December 29, 2022 (reference number 2022-01-123948), in which the aforementioned information is presented in this report on the referral route.
Nofar Milgam	63,325	1-12/2022	For details, see immediate reports published by the company on May 31, 2022 (Reference No. 2022-01-055329) and August 9, 2022 (Reference No. 2022-01-100402), in which the aforementioned information is presented in this report by way of reference
Nofar Europe B.V.	5,213	1-12/2022	Investment
Atlantic Green UK Limited	217	1-12/2022	Investment
Atlantic Green UK Limited	9,834	1-12/2022	Investment
Noventum Power Limited	2,724	1-12/2022	Investment
Nofar Ratesti B.V.	238,425	1-12/2022	Investment
Blue Sky	2,311	1-12/2022	Investment
Blue Sky	23,852	1-12/2022	Investment

Nofar- Noy reservoirs	26,337	1-12/2022	
Nofar- Noy reservoirs	2,585	1-12/2022	
Project corporations	42,511	1-12/2022	
Project corporations	78,502	1-12/2022	

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)
Noy-Nofar Europe	4,787	---	4,787	---	---	---	---	---	---	---	---
Nofar-Noy Reservoirs	(587)	---	(587)	---	---	---	---	---	---	---	641
Nofar Milgam	(276)	---	(276)	---	---	---	---	---	---	---	---
Nofar Europe Limited partnership (" Nofar Europe")	(254)	978	723	---	---	---	---	---	---	---	---
Nofar Europe B.V.	(2,808)	894	(1,913)	---	---	---	---	---	---	---	216
Blue Sky	(11,708)	19,125	(1,467)	---	---	---	1,078	279	---	---	1,905
Atlantic Green UK Limited	(600)	209	(391)	---	---	---	---	---	---	---	79

Noventum Power Limited	(712)	9	(703)	---	---	---	---	---	---	---	105
Nofar Ratesti B.V.	(2,152)	16,062	13,910	---	---	---	---	---	---	---	4,885

[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.

Regulation 14 - Loan balances if granting loans was one of the main business of the corporation

Granting loans is not one of the main businesses 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 September 4, 2022, the Company completed a private placing of 317,005,000 Bonds (Series A) , of the company in a way of series expansion. As part of the private allocation, a total of 312,249,925 NIS was allocated to 13 classified investors, as defined in the first supplement to the Securities Law, 1967-5778. Bonds (series A). For more details, see immediate reports published by the company on September 4, 2022 (Reference No. 2022-01-113182 and Reference No. 2022-01-091869) and September 7, 2022 (Reference No. 2022-01-093141), in which the aforementioned information is provided in this report on the way of referral.

Private issuance of the Company's shares - On October 6, 2022, the company issued 135,986 non-marketable options that were converted into 135,986 ordinary shares of the company, under the conditions as detailed in the description for employees published on September 7, 2022 (reference number 2022-01-092988), an amendment to it published on September 21, 2022 (reference number 2022-01-097104), as well as an immediate report dated October 6, 2022 (Reference No. 2022-01-125335), in which the aforementioned information is presented in this report on the referral route.

During the reporting period, there were no trading interruptions (except for scheduled interruptions).

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) and21(a) (2) (in thousands NIS):

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 Yannay	Active Chairman of the Board	100%	29.52%	---	---	---	890	---	---	---	890
Nadav Tenne	CEO	100%	5.97%	966	---	---	---	---	---	44	1,009
Noam Fisher	CFO	100%	5.97%	967	---	---	---	---	---	44	1,011
Sagie Sandler	VP of Engineering	100%	---	843	163	1,483	---	---	---	60	2,548
Zur Lanes	VP of Operations	100%	---	717	137	1,483	---	---	---	100	2,376
Guy Dvorin	VP Nofar Eastern Europe	90%	---	---	707	---	1,060	---	---	---	1,768
Ofer Oberlander	VP business developm ent	100%	---	811	159	490	---	---	---	49	1,509
Ayana Wecsler	VP Legal	100%	---	804	155	442	---	---	---	77	1,478

“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 Yannay**- 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 be 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 Yanny 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 be means of reference. (hereinafter: the **''Remuneration Policy''**).

2. **Nadav Tenne/ Noam Fisher** In accordance with the employment agreements between the company and H.H. Nadav Tana and Noam Fisher, in exchange for their tenure as CEO and CFO of the company, in the scope of a full-time position (in this section below: "the positions"), until September 2022, the office bearers were entitled for a gross monthly salary in the amount of 55 thousand NIS, which was updated to a total of 58 thousand NIS, plus additional conditions as is customary in the company, as specified in section 4.2.4 of the chapter Description of the Corporation's Business - Part A of the periodic report for 2022, which the information stated therein This report describes the way of referral, including 22 days of vacation per year, a pension arrangement, a training fund, an attached car, 6 months' advance notice, and more. The salary will increase at a rate of 5% each year (compared to the previous year), with the passage of 12 months, 24 months and 36 months from September 2020.

In addition, the officers are entitled to insurance coverage arranged by the company, as well as exemption and indemnification under the conditions specified in section 8.3 of the company's prospectus, the said information of which is provided in this report by way of reference.

The officers are obliged not to compete with the company until 12 months have passed from the date of termination of the contract in the management agreement.

The terms of office and employment of the office bearers are in accordance with the remuneration policy.

3. **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.

4. **Zur Lanse**- 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. Lanse 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. Lanse 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. Lanse 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.

5. **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.

6. **Guy Dvorin-** in accordance with the cooperation agreement between the company and, Mr. Dvorin serves as the CEO of Nofer Eastern Europe in exchange for his tenure in the above position, to the extent of 90%, Mr. Dvorin is entitled to monthly management fees, in the amount of 25 thousand euros, plus VAT M. In addition, Mr. Dvorin is entitled to an annual grant of up to 150 thousand Euros, which will be paid subject to meeting annual goals set by the company, as well as for flights for Mr. Dvorin and his family to Israel. As part of the cooperation agreement, it was determined that the company and Mr. Dvorin will establish a joint corporation (Nofar Europe) that will be held 90% by the company and 10% by Mr. Dvorin, with the company financing Nofar Europe's activities. The cooperation agreement includes restrictions on the transfer of shares and instructions regarding the purchase of Nofar Europe shares by the company in the event of termination of the agreement between the parties. The agreement can be terminated with a 30-day notice. It should be noted that Mr. Dvorin is not an office bearer in the company and the conditions of his tenure deviate from the provisions of the compensation policy.

7. **Ayana Wecsler-** in accordance with the employment agreement between the company and Ms. Wexler, in exchange for her tenure in the above position, in the scope of a full-time position, Ms. Wexler is entitled to a monthly salary, in the amount of 53 thousand NIS, plus additional conditions accepted by the company as specified in section 4.2.4 To the description of the corporation's business - part A of the periodic report for 2022, the information mentioned in it is presented in this report by way of reference, including vacation days per year, pension arrangement, training fund, attached vehicle, advance notice, etc. For the year 2022, Ms. Wechsler was paid after The date of the report, a discretionary grant in the amount of 159 thousand NIS. In addition, Ms. Wexler is entitled to insurance coverage arranged by the company, as well as exemption and indemnification under the conditions specified in section 8.3 of the company's prospectus, the information mentioned in which is provided in this report by way of reference. Also, in the years 2021 and 2022, the company allocated to Ms. Wexler 51,806 conversion options for 51,806 ordinary shares of the company, under the conditions as detailed in the employee description published on July 22, 2021 (reference number 2021-01-05696) and September 7, 2022 (number Reference 2022-01-092988), which the information mentioned in them is presented in this report by way of reference.

   The conditions of Ms. Wechsler's tenure and employment are in accordance with the compensation 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 the directors of the company (who do not receive remuneration for other positions as employees and/or office bearers in the company and/or corporations under its control with the scope of a position exceeding 50%) remuneration and reimbursement of expenses in the amount of the fixed amounts specified in the company regulations (rules regarding remuneration and expenses for an external director), the S-2000 (hereinafter: "**Remuneration Regulations**").

Also, in accordance with the decisions of the company's board of directors and its shareholders' meeting, the company pays the external and independent directors with accounting and financial expertise, annual remuneration and remuneration for participation in meetings in the amount of the maximum amounts specified in the fourth supplement to the remuneration regulations, in accordance with the level of the company's equity as defined in the remuneration regulations (as it will be from time to time), and reimbursement of expenses in accordance with the remuneration regulations.

Beginning with the year 2022, the directors were paid compensation in the total amount of approximately 1,186 thousand NIS.

Regulation 21a -Control of the Corporation

As of the balance sheet date, the controlling shareholder of the Company is Mr. Ofer Yannay, who holds 29.52% of the issued and paid-up share capital, and 34.57% of the voting rights in the Company.

For details regarding the Shareholders Agreement between Mr. Ofer Yannay 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 Yanny
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 Yanny

Engage-ment Type	Engaged Par-ties	Engagement De-scription	Date/Period of En-gagement	Key Condi-tions	Authorizations	A Share-holder who is a Personal Stake-holder
	Terms of Tenure, Employment and Exceptional Transactions					
Sponsor-ship to "Hapoel Nofar Upper Galil"	Ofer Yannay	Hapoel Nofar Upper Galil Basketball Team Sponsorship	July 2021	Mr. Yannay 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.	Ofer Yannay
Maccabiah sponsorship	Ofer Yannay and Maccabi world movement	Sponsorship Maccabiah games	July 2022	Mr. Yannay sponsored Maccabiah on behalf of the company	The engagement was approved by the audit committee in July 2022 as a non-exceptional transaction that has nothing but to benefit the company	

Regulation 24 - Holdings of Stakeholders and Senior Officers

See an immediate report dated January 5, 2023 (Reference No.: 2023-01-003520), in which the aforementioned information is presented in this report on the referral method.

It should be noted that after the aforementioned immediate reporting date, Mr. Uri Orbach purchased 560 shares, following which his holdings in the company's shares increased to 0%, 0% of the voting rights and 0% in full dilution.

Article 24a - Registered, Issued Capital and Convertible Securities

See Note 19 to the Company's Financial Statements as of December 31, 2022.

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: noam@nofar-energy.co.il

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	Uri Orbach
Identity Number:	031919467	053343331	024812943	022648786	00582117	024662587	029744588
D.O.B:	2.2.1975	18.6.1955	23.2.1970	25.8.1966	7.3.1947	24.2.1970	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	10A Ha'Palmach Mazkeret Batia
Nationality:	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.
Independent Director or External Director:	No.	Independent Director	External Director	External Director	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 professional qualifications
External Expert Director:	No.	Yes.	Yes.	Yes.	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.
Date of commencement of office:	7.4.2011	3.12.2020	31.1.2021	31.1.2021	18.3.2021	18.3.2021	8.7.2021

Name	Ofer Yanai	Yoni Tal	Dafna Cohen	Gili Cohen	Tzvi Levine	Yonit Partuk	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	Electronics Engineer, Tel Aviv University
Occupation in the last 5 years:	Chairman of the Board of Directors	Chairman of Arion Fund Management LLC (providing loans for real estate in the USA); Chairman of the internal credit committee at Menorah Mittehim Insurance Ltd.; Chief Investment Manager at Menorah Mittehim Holdings Ltd.; Member of the Board and Deputy CEO at Menorah Mittehim Insurance Ltd.; Director of a number of corporations in the Menorah Mivathim group	Vice President of Finance and Business Development at Maman - Cargo and Handling Terminals Ltd.; Manager of business control and investor relations at El Al Israel Airways Ltd.; director of companies from the Maman group	Lecturer in Calcutta, College of Management; Director of the companies as detailed below; Consultant for financial entities	Business manager and chairman of Kibbutz Shuval and CEO of the "Friends of Avshalom" association	CEO and Finance Manager of the Water Workers Organization; CEO and Finance Manager of Kibbutz Tzalim	Deputy CEO and Vice President of Operations at S.D.S. Ltd., CEO of Light and Strong Ltd

Name	Ofer Yanai	Yoni Tal	Dafna Cohen	Gili Cohen	Tzvi Levine	Yonit Partuk	Uri Orbach
Corporations in which he serves as a director:	Most of the Company's holding corporations, including Nofar-Noy Solar General Partner Ltd. (Nofar-Noy Solar Projects General Partner, Limited Partnership)	Harel Insurance Company Ltd.; EMI. - Ezer Mortgage Insurance Company Ltd.	Maman Logistics & Investments (1992) Ltd., Archive 2000 Ltd., Logisticar Ltd., Logisticar 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.	Y.H. Dimri Ltd., Israel Land Develpoment Company Ltd., USB Securities Israel Ltd., Technoplast Ventures Ltd., Sela Capital Real Estate Ltd., Sigma Mutual Funds Ltd.	Members of Avshalom Agricultural Cooperative Association Ltd. and from Negev Oil Company Ltd.	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.	L&S Light & Strong Ltd.

Name	Ofer Yanai	Yoni Tal	Dafna Cohen	Gili Cohen	Tzvi Levine	Yonit Partuk	Uri Orbach
Family member of another stakeholder in the Corporation:	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.	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.

Nofar

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

In the reporting year, no changes were made to the company's 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 6, 2022, the company issued 135,986 non-marketable options that were converted into 135,986 ordinary shares of the company, under the conditions as detailed in the description for employees published on September 7, 2022 (reference number 2022-01-092988), an amendment to it published on September 21, 2022 (reference number 2022-01-097104) as well as an immediate report dated October 6, 2022 (reference No. 2022-01-125335), the information mentioned in which is presented in this report on the way of referral.

(3) Change of Memorandum and Articles of Association of the Corporation:

None

(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

At a special general meeting of the company that convened on December 26, 2022, the general meeting approved (1) the re-appointment of Mr. Ofer Yanai as a director of the company and chairman of the company's board of directors until the end of the company's next annual general meeting; (2) the re-appointment of Mr. Yoni Tal, the Yonit Partok, Mr. Zvi Levin, Mr. Moshe Bar Siman Tov and Mr. Uri Orbach as directors of the company until the end of the company's next annual general meeting; (3) re-appointment of the accounting firm Ziv Haft BDO as the auditing accountants of the company, and the authorization of the company's board of directors to determine the their salary; (4) re-appointment, including the terms of her employment, of Mrs. Dafna Cohen as an external director of the company, for a term of office of 3 years beginning on the date of the meeting; and (5) giving a letter of exemption and undertaking to indemnify the directors H. D. Dafna Cohen, Gili Cohen, Yonit Partok, Zvi Levin, Moshe bar Siman Tov and Uri Orbach, in the text of the Ministry of Justice as Appendix B to the meeting summons report. For more details, see the meeting summons report published on November 16, 2022 (reference number: 2022-01-110508) in which the aforementioned information is provided In this report on the way of referral.

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.

It should be noted that in October 2022, the audit committee approved, as a not unusual transaction, sponsorship on behalf of the company of the 11th Friends Race for ALS patients by one of the company's senior officers.

(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, 2023

O.Y. Nofar Energy Ltd.

Via:
Ofer Yannay, 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:

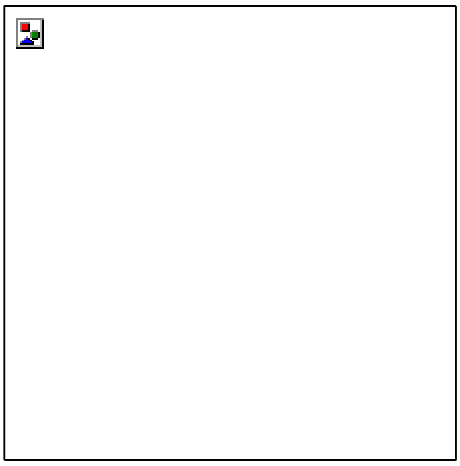
1. Mapping and identifying the accounts and business processes the Company considers significant for financial reporting. The internal control components identified are: (a) organizational controls; (b) the process of editing and completing the reports; (c) general controls

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, 2022, 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 2022 (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, 2023

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 2022 (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, 2023

Noam Fisher, CFO