
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 20-F/A
(Amendment No. 1)

(Mark One)

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF
THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report.....

For the transition period from _____ to _____

Commission File Number 001-35284

ELLOMAY CAPITAL LTD.

(Exact Name of Registrant as specified in its charter)

ISRAEL

(Jurisdiction of incorporation or organization)

18 Rothschild Boulevard, 1st floor

Tel Aviv 6688121, Israel

(Address of principal executive offices)

Kalia Rubenbach, Chief Financial Officer

Tel: +972-3-797-1111; Facsimile: +972-77-344-6856

18 Rothschild Boulevard, 1st floor

Tel Aviv 6688121, Israel

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Ordinary Shares, par value NIS 10.00 per share	ELLO	NYSE American LLC

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None
Title of Class

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None
Title of Class

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 12,852,585¹ ordinary shares, NIS 10.00 par value per share.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Emerging growth company ☐

¹ Does not include a total of 258,046 ordinary shares held at that date as treasury shares under Israeli law, all of which were repurchased by Ellomay. For so long as such treasury shares are owned by Ellomay they have no rights and, accordingly, are neither eligible to participate in or receive any future dividends which may be paid to Ellomay's shareholders nor are they entitled to participate in, be voted at or be counted as part of the quorum for, any meetings of Ellomay's shareholders.

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards[†] provided pursuant to Section 13(a) of the Exchange Act. ☐

[†] The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐ International Financial Reporting Standards as issued ☒ Other ☐
by the International Accounting Standards Board

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes ☐ No ☒

Table of Contents

	Page
Explanatory Note	4
Item 18: Financial Statements	5
Item 19: Exhibits	5



EXPLANATORY NOTE

This Amendment No. 1 to Form 20-F (the “Form 20-F/A”) is being filed to amend the Annual Report on Form 20-F for the fiscal year ended December 31, 2022, filed by Ellomay Capital Ltd. (the “Company”) on April 7, 2023 (the “2022 Form 20-F”). This Form 20-F/A is being filed solely to supplement “Item 18: Financial Statements” and “Item 19: Exhibits” of the 2022 Form 20-F with the inclusion of the audited financial statements of Dorad Energy Ltd. (the “Dorad Financial Statements”), including the report of Somekh Chaikin, an independent registered public accounting firm and a member of KPMG International, relating thereto as required under Rule 3-09 of Regulation S-X. The Dorad Financial Statements were prepared and provided to the Company by Dorad Energy Ltd.

As required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended, updated certifications of our principal executive officer and our principal financial officer are being filed as exhibits to this Form 20-F/A. This Form 20-F/A also includes Exhibit 15.2, which contains the consent of Somekh Chaikin, an independent registered public accounting firm and a member of KPMG International, with respect to their report included in the Dorad Financial Statements.

This Form 20-F/A should be read in conjunction with the 2022 Form 20-F and our other filings with the Securities and Exchange Commission. This Form 20-F/A speaks as of the date of the initial filing of the 2022 Form 20-F. Other than as expressly set forth above, this Form 20-F/A does not, and does not purport to, amend, update or restate the information in any part of the 2022 Form 20-F or reflect any events that have occurred after the 2022 Form 20-F was filed. The filing of this Form 20-F/A, and the inclusion of newly executed certifications, should not be understood to mean that any other statements contained in the 2022 Form 20-F are true and complete as of any date subsequent to the filing date of the 2022 Form 20-F. Accordingly, this Form 20-F/A should be read in conjunction with the 2022 Form 20-F.

PART III

ITEM 18: Financial Statements

Our Financial Statements were included in pages F-1 – F-106 of the 2022 Form 20-F.

The audited financial statements of Dorad Energy Ltd. for the year ended December 31, 2022 are included in pages FD-1 – FD-51 of this Form 20-F/A.

ITEM 19: Exhibits

Number	Description
1.1	<u>Memorandum of Association of the Registrant (translated from Hebrew), reflecting amendments through June 9, 2011</u> ^{*(1)}
1.2	<u>Second Amended and Restated Articles of the Registrant, reflecting amendments through June 21, 2018</u> ⁽²⁾
2.1	<u>Specimen Certificate for ordinary shares</u> ⁽³⁾
2.2	<u>Description of Rights of Securities Registered Under Section 12 of the Exchange Act</u> ⁽⁴⁾
4.1	<u>1998 Share Option Plan for Non-Employee Directors</u> ⁽⁴⁾
4.2	<u>2000 Stock Option Plan</u> ⁽⁴⁾
4.3	<u>Form of Indemnification Undertaking between the Registrant and its officers and directors, granted until June 21, 2018</u> ⁽¹⁾
4.4	<u>Form of Indemnification Undertaking and Exemption between the Registrant and its officers and directors, granted following June 21, 2018</u> ⁽⁵⁾
4.5	<u>Directors and Officers Compensation Policy, adopted on August 12, 2021</u> ⁽⁶⁾
4.6	<u>Form of Registration Rights Agreement, dated September 12, 2005, among the Registrant, certain investors, Bank Hapoalim, Bank Leumi and Israel Discount Bank</u> ⁽⁷⁾
4.7	<u>Investment Agreement, among U. Dori Group Ltd., U. Dori Energy Infrastructures Ltd. (currently Amos Luzon Entrepreneurship and Energy Group Ltd.) and Ellomay Clean Energy Ltd., dated November 25, 2010 (summary of Hebrew version)</u> ^{(8)*}
4.8	<u>Shareholders Agreement, among U. Dori Group Ltd. (currently Amos Luzon Entrepreneurship and Energy Group Ltd.), Ellomay Clean Energy Ltd. and U. Dori Energy Infrastructures Ltd., dated November 25, 2010 (summary of Hebrew version)</u> ^{(8)*}
4.9	<u>Rinconada II Building Right Agreement (summary of Spanish version)</u> ^{(3)*}
4.10	<u>Rodríguez I Lease Agreements (summary of Spanish version)</u> ^{(9)*}
4.11	<u>Rodríguez II Lease Agreements (summary of Spanish version)</u> ^{(10)*}
4.12	<u>Fuente Librilla Lease Agreement (summary of Spanish version)</u> ^{(10)*}
4.13	<u>Talmei Yosef Lease Agreement (summary of Hebrew version)</u> ^{(11)*}
4.14	<u>Talasol Lease Agreements (summary of Spanish versions)</u> ^{(4)*}

<u>Number</u>	<u>Description</u>
4.15	<u>Deed of Trust between the Registrant and Hermetic Trust (1975) Ltd., governing the Company's Series C Debentures, dated July 15, 2019, as amended on June 6, 2022 (translation of Hebrew version)</u> ^{(12)*}
4.16	<u>Ellomay Solar Lease Agreement (summary of Spanish version)</u> ^{(13)*}
4.17	<u>Deed of Trust between the Registrant and Hermetic Trust (1975) Ltd., governing the Company's Series D Convertible Debentures, dated February 21, 2021 (translation of Hebrew version)</u> ^{(13)*}
4.18	<u>Amended and Restated Management Services Agreement, by and among the Registrant, Kanir Joint Investments (2005) Limited Partnership, Keystone R.P. Holdings and Investments Ltd. and Meisaf Blue & White Holdings Ltd., effective as of July 1, 2021</u> ⁽¹⁴⁾
4.19	<u>Manara Lease and Development Agreements (summary of Hebrew version)</u> ^{(6)*}
4.20	<u>Deed of Trust between the Registrant and Hermetic Trust (1975) Ltd., governing the Company's Series E Secured Debentures, dated January 30, 2023 (translation of Hebrew version)</u> ^{(15)*}
4.21	<u>Italian Subsidiaries' Lease Agreements (summary of Italian version)</u> ^{(15)*}
8	<u>List of Subsidiaries of the Registrant</u> ⁽¹⁵⁾
12.1	Certification of Principal Executive Officer required by Rule 13a-14(a) and Rule 15d-14(a) (Section 302 Certification)
12.2	Certification of Principal Financial Officer required by Rule 13a-14(a) and Rule 15d-14(a) (Section 302 Certification)
13	Certification of Principal Executive Officer and Principal Financial Officer required by Rule 13a-14(b) and Rule 15d-14(b) (Section 906 Certification)
15.1	<u>Consent of Somekh Chaikin, Member Firm of KPMG International, Independent Registered Public Accounting Firm with respect to our financial statements</u> ⁽¹⁵⁾
15.2	Consent of Somekh Chaikin, Member Firm of KPMG International, Independent Registered Public Accounting Firm with respect to the Dorad Financial Statements
101.INS**	XBRL Instance Document ⁽¹⁵⁾
101.SCH**	XBRL Taxonomy Extension Schema Document ⁽¹⁵⁾
101.CAL**	XBRL Taxonomy Calculation Linkbase Document ⁽¹⁵⁾
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document ⁽¹⁵⁾
101.LAB**	XBRL Taxonomy Label Linkbase Document ⁽¹⁵⁾
101.PRE**	XBRL Taxonomy Presentation Linkbase Document ⁽¹⁵⁾
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* The original language version is on file with the Registrant and is available upon request.

** Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for the purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

- (1) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2012 and incorporated by reference herein.
- (2) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2018 and incorporated by reference herein.
- (3) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2011 and incorporated by reference herein.
- (4) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2019 and incorporated by reference herein.
- (5) Included in the Registrant's Form 6-K dated May 17, 2018 and incorporated by reference herein.
- (6) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2021 and incorporated by reference herein.
- (7) Included in the Registrant's Form 6-K dated October 14, 2005 and incorporated by reference herein.
- (8) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2010 and incorporated by reference herein.
- (9) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2013 and incorporated by reference herein.
- (10) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2014 and incorporated by reference herein.
- (11) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2017 and incorporated by reference herein.
- (12) Included in the Registrant's Form 6-K dated June 8, 2022 and incorporated by reference herein.
- (13) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2020 and incorporated by reference herein.
- (14) Included in the Registrant's Form 6-K dated July 1, 2021 and incorporated by reference herein.
- (15) Previously filed with the Registrant's Form 20-F for the year ended December 31, 2022 and incorporated by reference herein.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Ellomay Capital Ltd.

By: /s/ Ran Fridrich
Ran Fridrich
Chief Executive Officer and Director

Dated: June 29, 2023

Dorad Energy Ltd.

Financial Statements

As at December 31, 2022

Financial Statements as at December 31, 2022

Contents

	Page
Auditors' Report	FD-3
Statements of Financial Position	FD-5
Statements of Profit or Loss	FD-6
Statements of Changes in Equity	FD-7
Statements of Cash Flows	FD-8
Notes to the Financial Statements	FD-9 – FD-51



Somekh Chaikin
KPMG Millennium Tower
17 Ha'arba'a Street, PO Box 609
Tel Aviv 61006, Israel
+972 3 684 8000

Independent Auditors' Report

The Board of Directors
Dorad Energy Ltd.

We have audited the financial statement of Dorad Energy Ltd ("the Company"), which comprise the statement of financial position as of December 31, 2022 and the related statements of profit or loss, changes in equity, and cash flows for the year ended December 31, 2022, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as issued by the IASB; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise significant doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are authorized for issuance.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

KPMG Somekh Chaikin, an Israeli partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee



Somekh Chaikin
KPMG Millennium Tower
17 Ha'arba'a Street, PO Box 609
Tel Aviv 61006, Israel
+972 3 684 8000

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise significant doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

/s/ *Somekh Chaikin*
Somekh Chaikin

Member Firm of KPMG International
Tel Aviv
June 21, 2023

Statements of Financial Position

		December 31 2022	December 31 2021
	Note	NIS thousands	NIS thousands
Current assets			
Cash and cash equivalents	4	151,481	201,860
Trade receivables	5	238,581	248,844
Other receivables	6	32,809	40,289
Total current assets		422,871	490,993
Non-current assets			
Restricted deposit	12A1B	514,543	480,476
Prepaid expenses	12A4	32,072	33,235
Fixed assets	7	3,253,196	3,378,466
Intangible assets		6,404	6,038
Right of use assets	17	57,486	57,530
Total non-current assets		3,863,701	3,955,745
Total assets		4,286,572	4,446,738
Current liabilities			
Current maturities of loans from banks	8	279,506	280,753
Current maturities of lease liabilities	17	4,645	4,622
Trade payables	9	228,468	324,532
Current tax liabilities	11	-	21,795
Other payables	10	11,439	7,100
Financial derivatives	16	-	268
Total current liabilities		524,058	639,070
Non-current liabilities			
Loans from banks	8	2,211,895	2,356,785
Other Long-term liabilities	12.A.6	17,529	15,834
Long-term lease liabilities	17	49,292	48,871
Provision for dismantling and restoration	3.G	50,000	50,000
Deferred tax liabilities	11	215,016	192,676
Liabilities for employee benefits, net		160	160
Total non-current liabilities		2,543,892	2,664,326
Equity	13		
Share capital		11	11
Share premium		642,199	642,199
Capital reserve for activities with controlling shareholders		3,748	3,748
Retained earnings		572,664	497,384
Total equity		1,218,622	1,143,342
Total liabilities and equity		4,286,572	4,446,738

/S/ Michal Abadi Boiangiu

Michal Abadi Boiangiu
Chairman of the
Board of Directors

/S/ Eli Asulin

Eli Asulin
Chief Executive Officer

/S/ David Bitton

David Bitton
Chief Financial Officer

Date of approval of the financial statements June 21, 2023.

The accompanying notes are an integral part of the financial statements.

Statements of Profit or Loss

		2022	2021	2020
	Note	NIS thousands	NIS thousands	NIS thousands
Revenues		2,369,220	2,103,911	2,407,221
Operating costs of the power plant				
Energy costs		544,118	428,051	522,110
Electricity purchase and infrastructure services		1,088,127	1,053,997	1,185,225
Depreciation and amortization		239,115	225,715	237,575
Other operating costs		157,189	114,360	155,368
Total cost of power plant		2,028,549	1,822,123	2,100,278
Profit from operating the power plant		340,671	281,788	306,943
General and administrative expenses	14	24,066	24,502	24,926
Other incomes	12.A.18	-	11,603	1,279
Operating profit		316,605	268,889	283,296
Financing income		52,131	4,694	3,056
Financing expenses		271,116	219,013	157,428
Financing expenses, net	15	218,985	214,319	154,372
Profit before taxes on income		97,620	54,570	128,924
Taxes on income	11	22,340	12,844	29,622
Profit for the year		75,280	41,726	99,302

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Equity

	Share capital	Share premium	Capital reserve for activities with controlling shareholders	Retained earnings	Total equity
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
For the year ended December 31, 2022					
Balance as at January 1, 2022	11	642,199	3,748	497,384	1,143,342
Profit for the year	-	-	-	75,280	75,280
Balance as at December 31, 2022	11	642,199	3,748	572,664	1,218,622
For the year ended December 31, 2021					
Balance as at January 1, 2021	11	642,199	3,748	555,658	1,201,616
Dividend to the Company's shareholders (Note 12.A.17)	-	-	-	(100,000)	(100,000)
Profit for the year	-	-	-	41,726	41,726
Balance as at December 31, 2021	11	642,199	3,748	497,384	1,143,342
For the year ended December 31, 2020					
Balance as at January 1, 2020	11	642,199	3,748	576,356	1,222,314
Dividend to the Company's shareholders (Note 12.A.17)	-	-	-	(120,000)	(120,000)
Profit for the year	-	-	-	99,302	99,302
Balance as at December 31, 2020	11	642,199	3,748	555,658	1,201,616

The accompanying notes are an integral part of the financial statements.

Statements of Cash Flows

	2022	2021	2020
	NIS thousands	NIS thousands	NIS thousands
Cash flows from operating activities:			
Profit for the year	75,280	41,726	99,302
Adjustments:			
Depreciation, amortization, and fuel consumption	242,345	228,099	241,288
Taxes on income	22,340	12,844	29,622
Financing expenses, net	218,985	214,319	154,372
	<u>483,670</u>	<u>455,262</u>	<u>425,282</u>
Change in trade receivables	9,991	48,875	(4,959)
Change in other receivables	7,480	(18,888)	1,284
Change in trade payables	(127,907)	22,926	16,627
Change in other payables	4,339	3,292	(6,700)
Change in Other long-term liabilities	1,695	15,834	-
	<u>(104,402)</u>	<u>72,039</u>	<u>6,252</u>
Taxes on income paid	(21,795)	-	-
Net cash provided by operating activities	<u>432,753</u>	<u>569,027</u>	<u>530,836</u>
Cash flows from investing activities:			
Proceeds from (payment for) settlement of financial derivatives	13,652	392	(4,318)
Investment in long-term restricted deposits	-	(53,175)	(6,000)
Investment in fixed assets	(110,715)	(72,530)	(48,309)
Investment in intangible assets	(1,810)	(2,020)	(4,738)
Interest received	6,433	1,584	3,046
Net cash used in investing activities	<u>(92,440)</u>	<u>(125,749)</u>	<u>(60,319)</u>
Cash flows from financing activities:			
Repayment of lease liability principal	(4,726)	(4,624)	(4,523)
Repayment of loans from banks	(255,705)	(210,449)	(195,359)
Dividends and exchange rate paid	-	(100,000)	(123,739)
Interest paid	(159,804)	(162,781)	(170,003)
Net cash used in financing activities	<u>(420,235)</u>	<u>(477,854)</u>	<u>(493,624)</u>
Decrease in cash and cash equivalents	<u>(79,922)</u>	<u>(34,576)</u>	<u>(23,107)</u>
Effect of exchange rate fluctuations on cash and cash equivalents	29,543	(10,643)	4,165
Cash and cash equivalents at beginning of year	<u>201,860</u>	<u>247,079</u>	<u>266,021</u>
Cash and cash equivalents at end of year	<u>151,481</u>	<u>201,860</u>	<u>247,079</u>

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements as at December 31, 2022

Note 1 - General**A. Reporting entity**

Dorad Energy Ltd. (hereinafter - "the Company") was incorporated on November 25, 2002, with the aim of engaging in the production of electricity and construction of the infrastructure required for said operation. The company official address is 13 Ben Gurion Street, Bnei Brak.

The company's shareholders:

Eilat Ashkelon Infrastructure Services Ltd. (hereinafter – EAIS) – 37.5%

Zorlu Enerji Elektrik Uretim A.S (a foreign company) (hereinafter – Zorlu) – 25%

U. Dori Energy Infrastructures Ltd. (hereinafter – Dori Energy) – 18.75%

Edelcom Ltd. (hereinafter – Edelcom) – 18.75%

B. Definitions

In this financial statement

- Related party as defined in International Accounting Standard (2009) 24 regarding related parties.
- Interested parties within their meaning in Paragraph (1) of the definition of an "interested party" in Section 1 of the Securities Law - 1968.
- All references to laws, regulations, court proceedings refer to the State of Israel, unless otherwise indicated.

C. Licenses and legal environment

1. The construction of the power plant was officially designated a "National Infrastructure" Project, as defined in paragraph 1 of the Planning and Building Law-1965 by the Prime Minister, Minister of Finance and Minister of the Interior. In July 2009, the Licensing Authority of the National Planning and Construction Board for National Infrastructures approved the building permit for the establishment of a power station. (Building License No. 2-01-2008).

On April 13, 2014, the Public Utilities Authority - Electricity ("PUA") passed a resolution of which a permanent production license and a supply license will be granted to the Company, subject to the approval of the Minister of National Infrastructure, Energy and Water ("Minister of Energy"). Accordingly, on May 12, 2014, the Company was issued production licenses for 20 years with an option for additional period of extension and a supply license for one year and on May 19, 2014, the Company began commercial operation of the station.

On August 12, 2014, the Company filed a request to extend the supply license for an additional 19 years. On July 13, 2015, after the Company filed a petition with the High Court of Justice against the Minister of National Infrastructures and the Public Electricity Services Authority for issuance of a conditional order that will require extending the license for the said period, the license was received, which is effective up to May 11, 2034.

Notes to the Financial Statements as at December 31, 2022

Note 1 - General (cont'd)

C. Licenses and legal environment (cont'd)

2. On January 31, 2022, the PUA published a decision regarding "Electricity Rates for Customers of IEC in 2022" which in accordance the average production component will increase by about 13.6%, compared to 2021, from February 1, 2022, and will remain in effect to the end of 2022. On April 12, 2022, the PUA published a decision regarding "Annual Electricity Rate Update 2022", which, among other things, averaged a 9.4% increase in the production component, compared to 2021, as of May 1, 2022, and will remain in effect to the end of 2022. On July 28, 2022, the PUA published a decision regarding "Annual Electricity Rate Update 2022", which, among other things, averaged a 24.3% increase in the production component, compared to 2021, as of August 1, 2022, and will remain in effect to the end of 2022. On December 26, 2022, the PUA published a decision regarding "Electricity Rates for Customers of IEC in 2023" which in accordance the average production component will decrease by about 0.7%, compared to 2022, from January 1, 2023, and will remain in effect to the end of 2023. Subsequent to the reporting period, On January 26, 2023, the PUA published an update of the aforementioned decision according to which the average production component decreased by approximately 1.2% compared to the rate of 2023. On March 26, 2023, the PUA published an update of the aforementioned decision according to which the average production component decreased by about 1.4% compared to the rate in the previous decision, which came into effect as of April 1, 2023 and for the rest of 2023.

Note 2 - Basis of Preparation

A. Declaration of compliance with international financial reporting standards.

These financial statements have been prepared by the Company, in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, as issued by the International Accounting Standard Board (IASB). These financial statements were authorized for issue by the Company's Board of Directors on June 21, 2023.

B. Functional and presentation currency

These financial statements are presented in NIS, which is the Company's functional currency, and have been rounded to the nearest thousand. The NIS is the currency that represents the principal economic environment in which the Company operates.

C. Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following assets and liabilities:

- Derivative financial instruments at fair value through profit or loss;
- Deferred tax liabilities;
- Provisions

For further information regarding the basis of measurement of the above assets and liabilities, see Note 3, regarding Significant Accounting Policies.

D. Impact of the Corona Virus

Following the outbreak of the Corona Virus (COVID-19) in China in December 2019, and spreading to many other countries in early 2020, there has been a decline in economic activity in many regions of the world and in Israel as well. The spread of the virus has, among other things, disrupted the supply chain, decreased in global transport volume, traffic and employment restrictions declared by the Israeli government and other governments around the world, as well as financial and commodity market declines in Israel and around the world. The company is complying and acting accordingly to the guidelines of the Ministry of Energy and Ministry of Health on dealing with the Corona epidemic crisis, including on preparations for the operation and maintenance of the power plant and shift work as required. The company continuously examines the options for dealing with material damage to its income as a result of the spread of the virus.

Notes to the Financial Statements as at December 31, 2022

Note 2 - Basis of Preparation (cont'd)**E. Use of estimates and judgments**

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of accounting estimates used in the preparation of the Company's financial statements requires management to make assumptions regarding circumstances and events that involve considerable uncertainty. Management of the Company prepares the estimates on the basis of past experience, various facts, external circumstances, and reasonable assumptions according to the pertinent circumstances of each estimate. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about assumptions made by the Company with respect to the future and other reasons for uncertainty with respect to estimates that have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities in the next financial year are included in the following notes:

Useful lives of fixed assets and residual value

On May 19, 2014, the construction of the power plant was completed and is available for use as of this date and therefore as of this date, the depreciation of the power plant began. Accordingly, the Company examined the useful life of each significant item of fixed assets as described in Note 3C3 below considering the expected residual value at the end of the useful life. The estimated residual value, depreciation method and useful life, will be evaluated by the Company, at least once per reporting year and adjusted when necessary.

Impairment of assets

The Company examines at the end of each reporting year whether there have been any events or changes in circumstances that indicate impairment of fixed assets. When indication of impairment revealed the company checks whether the carrying amount of the fixed assets is recoverable out of the discounted cash flows expected from that asset or the fair value of the asset less selling costs ("net selling price") of that asset, and if necessary an impairment provision is recorded up to the amount that is recoverable. (See note 7 regarding fixed assets).

Assessment of the probability of contingent liabilities

The Company creates provisions or reverses provisions in respect of contingent liabilities Among other things, based on the premise whether it is more likely than not that an outflow of economic resources will be required in respect of legal claims pending against the Company and its investees. See note 12.

Determination of the lease period

For the purpose of determining the lease period, the Company takes into consideration the period in which the lease cannot be canceled, including extension options which is reasonably certain to be exercised and / or cancellation options that are reasonably certain to be exercised. See note 17 regarding lease.

Determining the discount rate of a lease liability

The Company discounts the lease payments using its incremental borrowing rate. An increase or decrease in the lease liability, right-of-use asset and depreciation and financing expenses recognized. See note 17 regarding lease.

F. Operating cycle period

The Company normal operating cycle is one year. As a result, current assets and current liabilities include items whose exercise date will take place in the Company's normal operating cycle.

Notes to the Financial Statements as at December 31, 2022

Note 3 - Significant Accounting Policies

The accounting policies set out below have been applied consistently for all periods presented in these financial statements.

A. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of the Company entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

B. Financial instruments**1. Non-derivative financial assets****Classification and measurement of financial assets and financial liabilities initial recognition and measurement**

The Company first recognizes customers at the time of their creation. The rest of the financial assets and financial liabilities are initially recognized on the date that the Company becomes a party to the contractual terms of the instrument. In general, a financial asset is initially measured at fair value plus, in the case of a financial asset or a financial liability not presented at fair value through profit and loss, transaction costs directly attributable to the acquisition or issue of the financial asset. A customer that does not include a significant financing component is initially measured at the transaction price.

Financial assets - classification and subsequent measurement

The Company has balances of trade receivables and other receivables held within the framework of a business model whose objective is the collection of contractual cash flows. The contractual cash flows in respect of these financial assets include only principal and interest payments reflecting consideration for the time value of the money and the credit risk. Accordingly, these financial assets are measured at amortized cost and their effect is credited to profit and loss.

Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the Company to the cash flows from the asset expire, or the Company transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset were transferred. When the Company retains substantially all of the risks and rewards of ownership of the financial asset, it continues to recognize the financial asset.

Notes to the Financial Statements as at December 31, 2022

Note 3 - Significant Accounting Policies (cont'd)

B. Financial instruments (cont'd)

2. Non-derivative financial liabilities

Non-derivative financial liabilities include loans and borrowings from banks, lease liabilities, and trade and other payables.

Initial recognition of financial liabilities

Non-derivative financial liabilities include loans and borrowings from banks and related parties, trade and other payables.

The Company initially recognizes debt securities issued on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Subsequent measurement of financial liabilities

Financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities are designated at fair value through profit or loss if the Company manages such liabilities and their performance is assessed based on their fair value in accordance with the Company's documented risk management strategy, providing that the designation is intended to prevent an accounting mismatch, or the liability is a combined instrument including an embedded derivative.

Derecognition of financial liabilities

Financial liabilities are derecognized when the obligation of the Company, as specified in the agreement, expires or when it is discharged or cancelled.

Offset of financial instruments

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

3. Derivative financial instruments

Economic hedging

Hedge accounting is not applied to derivative instruments used to hedge financial assets and financial liabilities denominated in foreign currency. Changes in the fair value of these derivatives are recognized in profit or loss, as income or financing expenses.

4. CPI-linked assets and liabilities that are not measured at fair value

The value of CPI-linked financial assets and liabilities, which are not measured at fair value, is remeasured every period in accordance with the actual increase/decrease in the CPI.

5. Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options Deducting the effect of the tax, are recognized as a deduction from equity.

Notes to the Financial Statements as at December 31, 2022

Note 3 - Significant Accounting Policies (cont'd)**C. Fixed assets****1. Recognition and measurement**

Fixed asset items are measured at cost less accumulated depreciation and accumulated impairment losses.

The cost of self-constructed assets includes costs directly attributable to the assets, direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, estimates of dismantling and restoration costs of the items, and capitalized borrowing costs. During the running period, the Company capitalized costs and revenues incurred as a result of competence tests attributed to the power plant.

Spare parts, auxiliary equipment and backup equipment are classified as fixed assets once they meet the definition of fixed assets in accordance with IAS-16, otherwise they are classified as Inventory.

When major parts of a fixed asset item (including costs of major periodic inspections) have different useful lives, they are accounted for as separate items (major components) of fixed assets. Gains and losses on disposal of a fixed asset item are determined by comparing the proceeds from disposal with the carrying amount of the asset and are recognized net within "other income" or "other expenses", as relevant, in profit or loss.

Changes in commitments to dismantle and restore the power plant except for changes caused by the passage of time, are added to or deducted from the cost of asset during the period in which they occur. The amount deducted from the cost of the asset will not exceed its book value. The balance, if any, is recognized immediately in the profit or loss statement.

2. Subsequent costs

The cost of replacing part of a fixed asset item and other subsequent expenses is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The book value of part of a fixed asset item that has been replaced has been deducted. The costs of day-to-day servicing are recognized in profit or loss as incurred.

3. Depreciation

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. The recoverable amount is the cost of the asset, or another amount that replaces the cost, less its residual value.

Depreciation of fixed assets begins when it is available for use. This means that it should be in the location and condition necessary for it to be capable of operating in the manner intended by the management. The Company began to depreciate fixed assets from the day of the beginning of commercial operations, in accordance with the depreciation rates listed below. Depreciation is recognized in the profit and loss statement on a straight-line basis (unless otherwise stated) over the estimated useful life of each significant part of the fixed asset, since this method reflects the expected pattern of consumption of future economic benefits best embodied in the asset.

Notes to the Financial Statements as at December 31, 2022

Note 3 - Significant Accounting Policies (cont'd)

C. Fixed assets (cont'd)

3. Depreciation (cont'd)

The estimated useful lives for the current period are as follows:

	Depreciation rate
Buildings and permanent connections	4%
Turbine components	4% or by operating hours
Machinery, equipment and apparatus	mainly 4%
Monitoring station	10%
Spare parts	4%
Backup diesel	upon usage
Leasehold improvements	10%

Depreciation methods, useful lives and residual values are reviewed at each reporting period and adjusted when necessary.

D. Intangible assets

1. Recognition and measurement

Intangible assets are identifiable non-monetary assets that do not have a physical substance. The Company intangible assets consist of the costs of software systems that were adapted to the Company needs. Among others, these include the billing system, the customer consumption forecast system, operating system and the ERP system. The intangible assets that were acquired by the Company have a finite useful life and are measured at cost less accumulated amortization and accumulated impairment losses.

2. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

3. Amortization

Amortization is the systematic allocation of the amount of an intangible asset over its useful life. The recoverable amount is the cost of the asset, or another amount that replaces the cost, less its residual value. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the intangible assets from the date that they are available for use, since these methods reflect the anticipated consumption program of future economic benefits embodied in the asset in the best form.

The estimated useful life for the current software systems is five or three years.

Estimates regarding the amortization method and useful lives are reviewed at each reporting period and adjusted when necessary.

Notes to the Financial Statements as at December 31, 2022

Note 3 - Significant Accounting Policies (cont'd)**E. Impairment**1) Non derivative financial assetsCredit-impaired financial assets

At each reporting date, the company assesses whether financial assets carried at amortized cost and debt instruments at fair value through other comprehensive income are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

2) Non-financial assetsTiming of impairment testing

The carrying amounts of the Company's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Determining cash-generating units

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

Measurement of recoverable amount

The recoverable amount of an assets or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows, before tax, to their present value that reflects current market assessments of the value of money and the risks specific to the asset or from the cash-generating unit, for which the estimated future cash flows from the asset were not adjusted.

Recognition of impairment loss

An impairment loss is recognized if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Reversal of impairment loss

In respect of other assets, for which impairment losses were recognized in prior periods, an assessment is performed at each reporting date for any indications that these losses have decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Notes to the Financial Statements as at December 31, 2022

Note 3 - Significant Accounting Policies (cont'd)

F. Capitalization of borrowing costs

Specific and non-specific borrowing costs were capitalized to qualifying assets throughout the period required for completion and construction until they are ready for their intended use. Non-specific borrowing costs are capitalized in the same manner to the same investment in qualifying assets, or portion thereof, which was not financed with specific credit by means of a rate which is the weighted-average cost of the credit sources which were not specifically capitalized. Foreign currency differences from credit in foreign currency are capitalized if they are considered an adjustment of interest costs. Other borrowing costs are expensed as incurred.

G. Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The carrying amount of the provision is adjusted each period to reflect the time that has passed and is recognized as a financing expense.

Provision for dismantling and restoration – The Company recognized a provision for removal and restoration costs regarding its commitment under long-term lease on which the power plant is located. Changes to this provision arising from changes in the interest rate are added to or deducted against the fixed asset.

H. Indemnification Asset

The Company recognizes indemnification assets for damages and faults caused to turbines at the power plant and for loss of profits if it is virtually certain that the indemnity will be received.

I. Revenues

The company revenues mainly include revenues from selling electricity to end customers or to the IEC and from providing availability to the system manager.

The Company recognizes revenues when the customer obtains control over the goods or services, when the electricity reaches the customers and when the availability guarantee to the system manager. The income is measured according to the amount of consideration to which the Company expects to be entitled in exchange for the transfer of goods or services promised to the customer, other than amounts collected for third parties.

Identifying the contract

The company accounts for a contract with a customer only when the following conditions are met:

- (a) The parties to the contract have approved the contract (in writing, orally or according to other customary business practices) and they are committed to satisfying the obligations attributable to them.
- (b) The company can identify the rights of each party in relation to the goods or services that will be transferred.
- (c) The company can identify the payment terms for the goods or services that will be transferred.
- (d) The contract has a commercial substance (i.e. the risk, timing and amount of the entity's future cash flows are expected to change as a result of the contract); and

Notes to the Financial Statements as at December 31, 2022

Note 3 - Significant Accounting Policies (cont'd)**Identifying the contract (cont'd)**

- (e) It is probable that the consideration, to which the Company is entitled to in exchange for the goods or services transferred to the customer, will be collected.

For the purpose of paragraph (e) the Company examines, inter alia, the percentage of the advance payments received and the spread of the contractual payments, past experience with the customer and the status and existence of sufficient collateral.

Identifying performance obligations

On the contract's inception date, the Company assesses the goods or services promised in the contract with the customer and identifies as a performance obligation any promise to transfer to the customer one of the following:

- (a) Goods or services (or a bundle of goods or services) that are distinct; or
- (b) A series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer.

The Company identifies goods or services promised to the customer as being distinct when the customer can benefit from the goods or services on their own or in conjunction with other readily available resources and the Company's promise to transfer the goods or services to the customer is separately identifiable from other promises in the contract. In order to examine whether a promise to transfer goods or services is separately identifiable, the Company examines whether it is providing a significant service of integrating the goods or services with other goods or services promised in the contract into one integrated outcome that is the purpose of the contract.

As part of contracts with customers for the sale of electricity, the company identified a single performance obligation in each contract.

Variable consideration

The transaction price includes fixed amounts and amounts that may change as a result of discounts, refunds, credits, price concessions, incentives, performance bonuses, penalties, claims and disputes and contract modifications that the consideration in their respect has not yet been agreed by the parties.

The Company includes variable consideration, or part of it, in the transaction price only when it is highly probable that its inclusion will not result in a significant revenue reversal in the future when the uncertainty has been subsequently resolved. At the end of each reporting period and if necessary, the Company revises the amount of the variable consideration included in the transaction price.

Satisfaction of performance obligations

Revenue is recognized when the company satisfies a performance obligation by transferring control over promised goods or services to the customer.

Determining the transaction price

The transaction price is the amount of consideration that the company expects to be entitled to in exchange for the transfer of goods or services promised to the customer, other than amounts collected for the benefit of third parties. When determining the transaction price, the company takes into account the effects of all of the following: variable consideration, the existence of a significant financing component in the contract, non-cash consideration and consideration to be paid to the customer.

Notes to the Financial Statements as at December 31, 2022

Note 3 - Significant Accounting Policies (cont'd)**J. Tax expense on Income**

Income tax expense is comprised of deferred taxes.

Deferred taxes are recognized with respect to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The measurement of deferred taxes reflects the tax consequences that will result from the way the Company expects, at the end of the reporting period, to restore or remove the carrying amounts of assets and liabilities. Deferred tax is measured at the tax rates expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognized for tax loss carry forwards, tax benefits and deductible temporary differences, when it is probable that future taxable income against which can be utilized. Deferred tax assets are reviewed at each reporting date and if it is not expected that the related tax benefit will be exercised, they are reduced.

The Company offsets assets and deferred tax liability if there is a legally enforceable right to offset the assets and current tax liabilities, and they relate to the same taxable income levied by the same tax authority.

K Employee benefits**Defined contribution plans**

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

L. Lease**(1) Determining whether an arrangement contains a lease**

On the inception date of the lease, the Company determines whether the arrangement is a lease or contains a lease, while examining if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In its assessment of whether an arrangement conveys the right to control the use of an identified asset, the Company assesses whether it has the following two rights throughout the lease term:

- (a) The right to obtain substantially all the economic benefits from use of the identified asset; and
- (b) The right to direct the identified asset's use.

For lease contracts that contain non-lease components, such as management fees, that are related to a lease component, the Company elected to account for the contract as a separate component from the lease.

Notes to the Financial Statements as at December 31, 2022

Note 3 - Significant Accounting Policies (cont'd)**L. Lease (cont'd)****(2) Leased assets and lease liabilities**

Contracts that award the Company control over the use of a leased asset for a period of time in exchange for consideration, are accounted for as leases. Upon initial recognition, the Company recognizes a liability at the present value of the balance of future lease payments (these payments do not include certain variable lease payments that do not depend on the index or the rate), and concurrently recognizes a right-of-use asset at the same amount of the lease liability, adjusted for any prepaid or accrued lease payments, plus initial direct costs incurred in respect of the lease.

Since the interest rate implicit in the Company's leases is not readily determinable, the incremental borrowing rate of the lessee is used. Subsequent to initial recognition, the right-of-use asset is accounted for using the cost model and depreciated over the shorter of the lease term or useful life of the asset. The Company has elected to apply the practical expedient by which short-term leases of up to one year and/or leases in which the underlying asset has a low value, are accounted for such that lease payments are recognized in profit or loss on a straight-line basis, over the lease term, without recognizing an asset and/or liability in the statement of financial position.

(3) The lease terms

The lease term is the non-cancellable period of the lease plus periods covered by an extension or termination option if it is reasonably certain that the lessee will or will not exercise the option, respectively.

(4) Variable lease payments

Variable lease payments that depend on an index or a rate, are initially measured using the index or rate existing at the commencement of the lease and are included in the measurement of the lease liability. When the cash flows of future lease payments change as the result of a change in an index or a rate, the balance of the liability is adjusted against the right-of-use asset. Other variable lease payments that are not included in the measurement of the lease liability are recognized in profit or loss in the period in which the event or condition that triggers payment occurs.

(5) Depreciation of right-of-use asset

After lease commencement, a right-of-use asset is measured on a cost basis less accumulated depreciation and accumulated impairment losses and is adjusted for re-measurements of the lease liability. Depreciation is calculated on a straight-line basis over the useful life or contractual lease period, whichever earlier, as follows: land 20.4 years, and offices 3.5 years.

(6) Reassessment of lease liability

Upon the occurrence of a significant event or a significant change in circumstances that is under the control of the Company and had an effect on the decision whether it is reasonably certain that the Company will exercise an option, which was not included before in the lease term, or will not exercise an option, which was previously included in the lease term, the Company re-measures the lease liability according to the revised leased payments using a new discount rate. The change in the carrying amount of the liability is recognized against the right-of-use asset or recognized in profit or loss if the carrying amount of the right-of-use asset was reduced to zero.

Notes to the Financial Statements as at December 31, 2022

Note 3 - Significant Accounting Policies (cont'd)

M. Financing income and expenses

Financing income and expenses include changes in the fair value of financial assets presented at fair value through the profit and loss and derivative hedging instruments which are recognized in profit and loss. Interest income is recognized as it accrues using the effective interest method. Financing expenses include interest expenses on bank loans, bank commissions and change in time value regarding provisions. In the statements of cash flows, interest received is presented as part of cash flows from investing activities. Interest paid is presented as part of cash flows from financing activities. Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either financing income or financing expenses depending on whether foreign currency movements are in a net gain or net loss position.

Note 4 - Cash and Cash Equivalents

	December 31	
	2022	2021
	NIS thousands	NIS thousands
Balance in banks	15	9
Deposits on demand	151,466	201,851
	151,481	201,860

Note 5 - Trade Receivables

	December 31	
	2022	2021
	NIS thousands	NIS thousands
Trade receivables	3,372	36,934
Income receivable	235,552	212,253
	(343)	(343)
	238,581	248,844

Note 6 - Other Receivables

	December 31	
	2022	2021
	NIS thousands	NIS thousands
Government institutions	1,634	826
Receivables for insurance	11,252	20,233
Advances to suppliers	594	377
Prepaid expenses	19,329	18,853
	32,809	40,289

Notes to the Financial Statements as at December 31, 2022

Note 7 - Fixed Assets

A. Composition

	Power plant	Furniture and equipment	Leasehold improvements	Total
	NIS thousands			
Cost				
Balance as at January 1, 2021	4,955,284	3,269	825	4,959,378
Additions	72,360	160	11	72,531
Disposals	(27,176)	-	-	(27,176)
Balance as at December 31, 2021	5,000,468	3,429	836	5,004,733
Additions	110,650	65	-	110,715
Disposals	(37,294)	-	-	(37,294)
Balance as at December 31, 2022	5,073,824	3,494	836	5,078,154
Depreciation and impairment losses				
Balance as at January 1, 2021	1,429,483	2,555	501	1,432,539
Depreciation for the year	220,569	250	85	220,904
Disposals	(27,176)	-	-	(27,176)
Balance as at December 31, 2021	1,622,876	2,805	586	1,626,267
Depreciation for the year	235,610	290	85	235,985
Disposals	(37,294)	-	-	(37,294)
Balance as at December 31, 2022	1,821,192	3,095	671	1,824,958
Carrying amounts				
As at December 31, 2021	3,377,592	624	250	3,378,466
As at December 31, 2022	3,252,632	399	165	3,253,196

B. Security

See Note 12C regarding a lien on the Company's assets that serves as security for the liabilities of the Company and the shareholders to the funding groups.

Notes to the Financial Statements as at December 31, 2022

Note 8 - Loans from Banks

Presented hereunder are contractual terms of the bank loans of the company and it is carrying amounts. For further information regarding the company's exposure to interest rate risks and liquidity risks see Note 16 – financial instruments and note 12.A.1.

Details regarding interest rates and linkage

	Currency and linkage base	Effective interest %	Carrying amount as at December 31	
			2022 NIS thousands	2021 NIS thousands
Loans from banks	CPI-linked	5.1%	2,491,401	2,637,538
Less current maturities (including interest as at December 31)	NIS		279,506	280,753
			2,211,895	2,356,785

Note 9 - Trade Payables

	December 31	
	2022 NIS thousands	2021 NIS thousands
Open debts	51,555	128,530
Accrued expenses	176,913	196,002
	228,468	324,532

Note 10 - Other Payables

	December 31	
	2022 NIS thousands	2021 NIS thousands
Accrued expenses (*)	9,876	6,067
Other payables	1,563	1,033
	11,439	7,100

(*) Including other payables due to related and interested parties (see note 18)	1,617	1,554
--	--------------	-------

Notes to the Financial Statements as at December 31, 2022

Note 11 - Income Tax

A. Details regarding the tax environment of the Company

- (1) Presented hereunder are the tax rates relevant to the Company in the years 2020-2022: 23%

On January 4, 2016, the Knesset plenum passed the Law for the Amendment of the Income Tax Ordinance (Amendment 216) - 2016, by which, inter alia, the corporate tax rate would be reduced by 1.5% to a rate of 25% as from January 1, 2016. Furthermore, on December 22, 2016, the Knesset plenum passed the Economic Efficiency Law (Legislative Amendments for Achieving Budget Objectives in the Years 2017 and 2018) – 2016, by which, inter alia, the corporate tax rate would be reduced from 25% to 23% in two steps. The first step will be to a rate of 24% as from January 2017 and the second step will be to a rate of 23% as from January 2018. As a result of the reduction in the tax rate, the deferred tax balances as at December 31, 2019 and 2020 were calculated according to the new tax rates specified in the Economic Efficiency Law (Legislative Amendments for Achieving Budget Objectives in the Years 2016 and 2017), at the tax rate expected to apply on the date of reversal. Current taxes for the reported periods are calculated according to the tax rates presented above.

- (2) The Company is an “Industrial Company” as defined in the Encouragement of Industry (Taxes) 1969 and accordingly is entitled to certain benefits including accelerated depreciation.

B. Composition of income tax expense

	Year ended December 31, 2022	Year ended December 31, 2021	Year ended December 31, 2020
	NIS thousands	NIS thousands	NIS thousands
Tax expenses for previous years	-	20,466	-
Deferred tax expense	22,340	(7,622)	29,622
Total tax expense	22,340	12,844	29,622

C. Deferred tax liabilities and assets recognized

The deferred taxes are calculated using the tax rate expected to apply when reversed as described above. Changes in the tax liabilities and assets are attributed to the following items:

	Fixed assets	Provisions and other timing differences	Tax losses carried forward	Total
	NIS thousands			
Balance of deferred tax asset (liability) as at January 1, 2021	(620,264)	12,107	407,859	(200,298)
Tax assessment (see note f below)	344,274	-	(344,274)	-
Changes recognized in the profit and loss statements	26,393	249	(19,020)	7,622
Balance of deferred tax asset (liability) as at December 31, 2021	(249,597)	12,356	44,565	(192,676)
Changes recognized in the profit and loss statements	(56,969)	135	34,494	(22,340)
Balance of deferred tax asset (liability) as at December 31, 2022	(306,566)	12,491	79,059	(215,016)

Notes to the Financial Statements as at December 31, 2022

Note 11 - Income Tax (cont'd)

D. Reconciliation between the theoretical tax on the pre-tax profit and the tax expense.

	Year ended December 31, 2022	Year ended December 31, 2021	Year ended December 31, 2020
	NIS thousands	NIS thousands	NIS thousands
Profit before taxes on income	97,620	54,570	128,924
Statutory tax rate of the company	23%	23%	23%
Tax calculated according to the Company's statutory tax rate	22,453	12,551	29,652
Non-deductible expenses and others (Exempt revenue)	(113)	293	(30)
Income tax expense	22,340	12,844	29,622

E. Tax losses carried forward

The total amount of forward losses from business as at December 31, 2022 is approximately NIS 345 million (as of December 31, 2021 – NIS 194 million). The Company has recorded deferred taxes in respect of these losses, since the Company expects to utilize them against taxable income for tax purposes that will be created for the Company in the foreseeable future.

F. Tax assessments

The company has final tax assessments up to and including the year ended December 31, 2020.

On December 30, 2021, the company signed an assessment agreement for the years 2015-2020 with the Tax Authority which Determined the treatment of the depreciation of the station throughout the period of its operation in which it was determined that the company would adjust depreciation expenses in the amount of approximately NIS 1,871 million that a tax liability created for the company for the tax year 2020 in the amount of approximately NIS 22 million Including interest and linkage. According to the agreement, the amortization expenses adjusted as stated above will be allowed for deduction to the Company as a current business expense in equal parts starting from January 1, 2021, for a period of 5 years, NIS 374 million each year. It is also stipulated that in connection with the arbitration procedure, for which a derivative claim was filed (see note 12.A.9), the company will reflect the results of the arbitral award in the first tax report it submits after the date of the ruling and clarification of the claim in a final and absolute manner.

Notes to the Financial Statements as at December 31, 2022

Note 12 - Contingent Liabilities, Commitments and Guarantees

A. Commitments

1. Financing agreements

On November 29, 2010 (hereinafter: “the Financial Closing Date”), the Company signed a financing agreement and several related agreements with Bank Hapoalim Ltd. as the financial organizer, Clal Credit and Financing Ltd. from the Clal Insurance Enterprises Holdings Ltd. Company as the organizer of the institutional consortium as well as the bank and institutional investors consortium (hereinafter: “the Financing Parties”) to provide financing in the amount of up to NIS 3,850 million linked to CPI, though not more than 80% of the costs of the construction of a power plant for generating electricity in Ashkelon, subject to the terms of the provisions of the financing agreement and the related agreements (hereinafter: “the Financing Agreements”). Likewise, bank guarantees will be provided to third parties according to the project documents. The financing agreement includes representations and warranties concerning the Company and the project where breaching these representations and warranties is likely to lead, inter alia, to the demand for immediate repayment of the outstanding credit and/or a breach of its obligations and/or to the cancellation of the license.

Accordingly, the Company is required to comply the following debt coverage:

1. The Company is required to maintain a debt coverage ratio of 1.10:1 over two consecutive calculation periods, and a debt coverage ratio of 1.05:1 over the entire calculation period.
2. The Company is required to maintain a minimal loan life coverage ratio of 1.10:1.

As at December 31, 2022, In accordance with the expected Company cash flow, the Company is in compliance with the above coverage ratios

The annual interest rate on the company debt to the financing corporations is updated every three years, according to the company rating. Subsequent to the reporting period, on April 4, 2023, the company received from the rating company S&P Maalot an update of the company debt rating forecast to ILAA-/Negative. The updating of the aforementioned forecast had no effect on the company interest rate.

Within the framework of the Financing Agreements, and at the same time as the signing of the financing agreement, other agreements related to the financing agreement were signed including the following:

a. Capital Injection Agreement and a Subordinated Loan Agreement

These agreements include the obligation of the shareholders towards the Company and the Financing Parties, to inject, separately, and each according to their relative share, from time to time and in parallel with each request to draw from the financing facilities, a total of up to approximately 20% cash (hereinafter: “the Shareholders Investment”), and this either for the issuance of shares or as shareholders loans, which in any case, will be subordinate to and pledged to the obligations of the Company towards the Financing

Notes to the Financial Statements as at December 31, 2022

Note 12 - Contingent Liabilities, Commitments and Guarantees (cont'd)

A. Commitments (cont'd)

1. Financing agreements (cont'd)

a. Capital Injection Agreement and a Subordinated Loan Agreement (cont'd)

Parties, according to the terms of the agreements. According to the Capital Infusion Agreement and as security for the commitment of the shareholders to provide their relative portion of the Shareholders' Investment, the shareholders provided on the same date, cash and bank guarantees in the amount of their obligation to inject the Shareholders Investment; this, less any equity provided to the Company prior to that date. The Capital Infusion Agreement includes representations and obligations with regards to the shareholders and the project where their breach is likely to lead, inter alia, to the demand for immediate repayment of the outstanding credit and/or a breach of the Company's obligations and/or to the cancellation of the license. According to the Subordinated Loan Agreement, any shareholder loan will be linked to the CPI and bear interest at an annual rate of 10%. In addition, it was agreed that any distribution to the shareholders, including loans repayment, will be subject to the compliance of the company with the financial covenants as described in the financial agreement. During the period of this statement there was no change in the relative holdings of the shareholders. Within the framework of the financing agreement, there is a lien on all the issued share capital of the Company in favor of Poalim Trust Services Ltd., as the trustee of the Financing Parties.

b. Bank accounts agreement

The agreement sets the establishment of the project bank accounts and sets out the distribution of the cash flows among the accounts. In addition, the agreement sets out terms and procedures for executing deposits and withdrawals from each account, determines the minimum balances in each of the capital reserves, and sets out the priorities with respect to payments between the accounts and other terms regarding the management of the accounts, including the issue of transfers between accounts. The main fund reserves are a debt service fund, a heavy maintenance fund, a fund for regulation fines guarantees and a distribution fund. As at December 31, 2022, the deposits for the fund reserves sums to: NIS 221 million debt service reserve, NIS 193 million in the major maintenance fund, NIS 91 million in the distribution fund and NIS 10 million in the fines and regulation fund. These amounts are classified in the statement of financial position as "long-term restricted deposits".

2. Agreement to lease land under operating lease

In 2008 an agreement was signed between the Company and EAIS for the lease of 74.5 dunams of land for the power plant, for a period of 24 years and 11 months from the date of its operation. Also, in 2008, the Company participated in this payment and transferred to EAIS the amount of NIS 3,047 thousand in respect of its relative share in the lease period which were paid by EAIS to ILA. According to IFRS 16 instructions the depreciated cost of this amount is classified as "long-term prepaid expenses" and is amortized over the lease period.

During 2010 the Company signed an addendum to the land sub-lease agreement. According to the addendum to the agreement, in exchange for the lease of the lands designated for the project, an annual payment of NIS 3,705 thousand will be paid for a period of 25 years. See also Note 18 Related and Interested Parties. The land lease is treated according to IFRS 16 (see note 17 lease).

Notes to the Financial Statements as at December 31, 2022

Note 12 - Contingent Liabilities, Commitments and Guarantees (cont'd)

A. Commitments (cont'd)

3. O&M Agreement

An agreement between the Company and the Eilat-Ashkelon Power Plant Services Company - EAPPS ("the Maintenance Contractor") for the operation and maintenance of the power plant for a predetermined monthly payment defined in the Agreement for a period of 24 years and 11 months commencing the date of receipt of the Permanent Production certificate. The Maintenance Contractor will transfer some of the larger maintenance projects to a subcontractor (Zolru O&M) under a separate agreement, however it will retain full responsibility towards the Company with respect to all of its obligations under the agreement.

During 2013, the Maintenance Contractor entered into a sub-contracting agreement with EZOM Ltd, a related party held by related companies. The maintenance and operation will be managed by EZOM Ltd. The maintenance contractor will retain full responsibility regarding his obligations toward the Company.

During August 2016 and in accordance with price review mechanism existing in the O&M agreement there was an update for the prices of some of the items included in the O&M agreement. The update was applied retroactively from the beginning of 2016.

On December 2017, a direct agreement was signed between the company and EZOM Ltd which replaced EAPPS. The agreement terms are the same as the agreement with EAPPS.

On November 29, 2022, the agreement between the company and EAPPS was converted to EAIS.

On August 22, 2022, the operating contractor announced that on August 15, 2022, the name of the company was changed from EZOM Ltd to Edeltech O&M Ltd. The company was also informed that 25% of ordinary shares in the Maintenance Contractor company, which provide voting rights, were transferred to Edeltech Holdings 2006 Ltd., which from that date owns 100% of the issued and paid-up share capital of the Maintenance Contractor company.

4. Gas Pipeline Agreement

On November 25, 2010, the Company signed a standard agreement approved by the Gas Authority according to which in accordance the government company Israel Natural Gas Lines Ltd. ("INGL") connected the power plant to the natural gas pipeline. The company paid connection fees in the amount of NIS 47 million which was recognized as prepaid expenses classified under non-current assets and will be amortized over the operating period. In addition, according to the agreement, the company is obligated to pay INGL Commencing from the date of end of the connection in November 2013, a monthly payment for the capacity in the pipeline and a variable payment for gas flowing through the pipeline.

5. Diesel Storage agreement

On June 17, 2013, the company entered into an agreement with Eilat Ashkelon Pipeline Company Ltd (hereinafter: "EAPC") regarding storage of petrol in their plant.

According to the agreement, the company will store petrol at the necessary quantities for backup of reserve fuel as required by Electricity Market Regulations and for the Company's current needs, estimating at 14,000 square meters.

EAPC are the controlling shareholder - of Eilat Ashkelon Infrastructure Services Ltd. who are an interested party and related party, see note 18. On March 25, 2019, assignment of debt and right was made for a diesel storage agreement to the Europe Asia Pipeline Company Ltd. (hereinafter "the Operational operator") according to the assignment all duties and rights of the company will now be with the Operator. Except for the assignment, there were no changes to the agreement.

Notes to the Financial Statements as at December 31, 2022

Note 12 - Contingent Liabilities, Commitments and Guarantees (cont'd)

A. Commitments (cont'd)

6. Agreement to purchase natural gas

On October 15, 2012, the Company entered into an agreement with the partners in the Tamar license ("Tamar") by which, subject to the fulfillment of suspense conditions provided in the agreement, the Company will purchase natural gas from Tamar for operating the power plant it is constructing in Ashkelon.

As of December 31, 2014, the financial scope of the Company commitment to purchase gas from the date of its flow, as defined in the agreement, to the actual consumption of gas is estimated at NIS 100,800 thousand, this commitment was not recognized in the Company books. However, in accordance with the agreement, if the Company does not actually consume the minimum quantity it has undertaken, it will be required to consume this quantity, in addition to the minimum gas quantity to which the Company is obligated each year during the following three years.

On April 30, 2015, the Company received a notification from Tamar whereby the "interim period", as defined in the agreement, began on May 5, 2015. Pursuant to the agreement, during the interim period supply of the gas to the Company will be subject to the quantities of the natural gas that will be available to Tamar at that time after supply of natural gas to other customers of Tamar with which contracts were signed for supply of natural gas prior to the signing of the agreement with the Company. The interim period will end when Tamar completes, should it ultimately complete, a project for expansion of the supply capacity of a system for treatment and transfer of natural gas from the Tamar reserve, upon existence of the preconditions detailed in the agreement. In the Company's estimation, the impact of Tamar's notification on its activities is not expected to be significant. On November 26, 2016, the company received notification from Tamar whereby the interim period will end on September 30, 2020. On April 2, 2019, the Company entered into an addendum to the agreement with the partners in the Tamar license ("Tamar") according to which the gas quantities specified in the addendum to the agreement that the Company purchase from Tamar will not be included for the purpose of calculating the quantities of gas at the time of the reduction of the purchases from Tamar, in accordance with the instructions of the agreement with Tamar and in accordance with the layout instructions for increasing the quantity of natural gas produced from the Tamar natural gas field And rapid development of natural gas fields Leviathan, Karish and Tanin and additional fields from August 16, 2015 ("Gas layout"). The addendum to the agreement was subject to certain suspending conditions which been fulfilled in July 2019. On January 22, 2020, the Company received notification from the partners in the Tamar license ("Tamar") that the "Interim Period" will end, as defined in the agreement, on March 1, 2020. According to the notification and the terms of the agreement, Tamar will consider the Company as a permanent customer commencing from the end of the "Interim Period".

On March 22, 2021, the Company entered into an addendum to the agreement with the partners in the Tamar reservoir (hereinafter: "Tamar"). According to this addendum, the parties agreed on the amount of gas that the company will purchase from Tamar reservoir as of January 1, 2022. The agreement also provides that the company will be entitled to compensation in the amount specified in the agreement. The compensation received in the 3rd quarter 2022 and presented in the other payables and other long-term liabilities section.

Notes to the Financial Statements as at December 31, 2022

Note 12 - Contingent Liabilities, Commitments and Guarantees (cont'd)

A. Commitments (cont'd)

6. Agreement to purchase natural gas

On April 5, 2021, the Company entered into an additional gas purchase agreement with Tamar pursuant to which the company is entitled to purchase additional quantities of gas from Tamar in a period of 4 years ending on April 5, 2025. As part of the agreement, the Company will receive a grant in the amount specified in the agreement, which depends partly, among other things, in the amount of gas consumption quantities determined in the agreement. Half of the grant received in the first quarter of 2022 and half on the date of termination of the contract after meeting the conditions according to the agreement.

The addendums to the agreement and the additional agreement were subject to certain suspending conditions that were met on July 14, 2021. The grant and the compensation will be recognized in profit or loss as a decrease in energy costs over the periods specified in the addendum and the additional agreement.

7. Agreement to sell electricity

As at the reporting date the Company has agreements to sell electricity at full of the production capacity of the power station. The electricity delivery agreements are, mainly, based on a reduced rate compared to the rate applicable to electricity consumers in the general market, as defined by the Authority for Public Services-Electricity.

8. Property tax assessments in respect of the station

In 2014 The Company sign a settlement agreement with Ashkelon Municipality according to which the annual municipal tax rate Until the year 2025 including was determined.

On March 1, 2022, the company received a municipal rate assessment from the Ashkelon Municipality for the years 2019-2022 in the amount of approximately NIS 18 million (of which a total of NIS 13.9 million is attributed to the years 2019-2021) due to a change in its claim that there was an error in the size of the property. For this, the company at the power plant in Ashkelon is liable for both property taxes and its classification. On March 6, 2022, the company filed an objection with the Ashkelon Municipality's municipal rate director regarding these charges. In this objection, it was argued, among other things, that in 2015 the company signed a compromise agreement with the Ashkelon Municipality, which regulated the payment of municipal rates until 2025 and must be acted upon and there is no basis for correcting the assessment. Subsequent to the reporting period, the director of property taxes rejected what was submitted in the answer to the request and an appeal was filed against this answer to the Appeals Committee for Property Tax Affairs. In the opinion of the Company's management, based on the position of the Company legal advisers, to the objection that the Company submitted is not fully accepted there is a probability exceeding 50% that the Company will not be required to pay more than NIS 1.5 million for the said assessment. During the reporting period, the company included a provision in the said amount.

Notes to the Financial Statements as at December 31, 2022

Note 12 - Contingent Liabilities, Commitments and Guarantees (cont'd)

A. Commitments (cont'd)

9. Claims by Dori Energy, Zorlu, Edelcom and EAIS

- a) *Petition to Approve a Derivative Claim filed by Dori Energy and Hemi Raphael within the arbitration*

On April 12, 2015, the Company received two letters from representatives of Dori Energy (hereinafter- "The Representatives") that were addressed to the Company's Chairman of the Board. As part of these letters, the company is requested to take legal action to reveal the engagement between one of the shareholders of the Company, Zorlu Enerji Elektrik Uretim A.S., and the construction contractor of the Dorad power station, Wood Group (EPC contractor). The aforesaid letters are advance notices to the Company regarding the intention of the representatives to file a derivative claim insofar as their requests are not accepted.

After examining all the facts relevant to the aforesaid letters and consulting with legal counsel, the Company replied to the representatives on May 26, 2015, and rejected their request to take legal action. On July 16, 2015, the representatives filed with the court a motion to approve a derivative claim in the name of the Company against Zorlu (including the representatives of Zorlu on the Company's Board of Directors) and the EPC contractor. In the framework of the motion to which also the derivative claim was attached, the representatives demanded that documents and information regarding the engagement between Zorlu and the EPC contractor be disclosed and handed over.

On November 15, 2015, the Company filed its reply in which it reiterated its position that the motion for approval of the derivative claim should be denied.

On January 12, 2016, the representatives filed a motion to amend the motion for approval of a derivative claim (hereinafter: 'the motion for amendment'). The motion for amendment raises new allegations by which Zorlu together with Ori Edelsborg (a director in the company) and companies under his control supposedly conspired to deceive the Company by "inflating" the cost of the EPC agreement for the purpose of splitting between them the profits from such "inflation". In addition, in the framework of the motion for amendment it is requested to add Mr. Ori Edelsborg and companies under his control as defendants to the amended motion for approval of a derivative claim and, also, to remove from the claim the representatives of Zorlu on the Company's Board of Directors. It is noted that the motion for approval of a derivative claim as well as the amended motion for approval of a derivative claim that was attached to the motion for amendment, do not include any monetary relief rather request that the court give the representatives permission to split the relief so that they may file a separate monetary claim in the future on behalf of the company with respect to the company financial damages, after they receive all the documents and information they are requesting. On April 20, 2016, a discussion in court focused on the application to amend the derivative claim was held in court. At the end of the discussion, the court accepted the application to amend the derivative claim in a matter that the amended derivative claim is on the agenda. At the end of July 2016, the respondents filed their responses to the court regarding the amended application of the derivative claim. In accordance with their responses, they deny the Allegations included in the application and according to them they did not do any injustice to the company and therefore the company has no cause of action against them. On December 27, 2016, following a negotiation between the parties, an arbitration agreement has been signed between the parties which in accordance, it was agreed to transfer the proceeding to arbitration and on January 3, 2017, The Representatives filed a motion to cancel the proceedings which was approved by the Supreme Court on January 8, 2017.

Notes to the Financial Statements as at December 31, 2022

Note 12 - Contingent Liabilities, Commitments and Guarantees (cont'd)

A. Commitments (cont'd)

- a) *Petition to Approve a Derivative Claim filed by Dori Energy and Hemi Raphael within the arbitration (cont'd)*

Following the nomination of the new arbitrator (see note: 12.A.9.e) on April 30, 2019, a preliminary meeting was scheduled with the new elected arbitrator. During the year 2020 and the year of the report, several hearings and evidentiary hearings were held that included the summoning of witnesses and determined. On February 15, 2021, the arbitrator approved the plaintiff request for a change of litigant, so that in place of the late Hemi Rafael, Rani Friedrich will come as a litigant in the legal proceedings. On October 31, 2021, Edelcom summaries were filed in its lawsuit, as well as summaries in Dori and Rafael's lawsuit. On March 10, 2022, the company submitted summaries on its behalf, in which it reiterated its position, according to which, in view of the circumstances of the arbitration procedure, it does not take any position on it and leaves the decision on it to the discretion of the arbitrator. On July 26, 2022, the arbitrator announced that he would issue a decision during the first quarter of 2023. Subsequent to the reporting period, on March 3, 2023, the arbitrator announced that he would issue a decision during the second quarter of 2023. Also, in accordance with the arbitrator decision, the company submitted a notice regarding the legal expenses paid as part of the arbitration procedure in the amount of approximately NIS 6 million.

In the Company estimation, based on the opinion of its legal counsel, at this stage cannot intelligently assess the results of the arbitration proceedings.

- b) *Third party notice from Zorlu within the arbitration*

On April 30, 2017, Zorlu sent a third-party notice to the Company, Dori Energy and Dori Group, according to which, to the extent Dori Energy claim is accepted, it will comply with all the rights it had in connection with its right to construct the power plant, including the right to the profits it was supposed to receive under this construction in such a manner that the third parties would owe Zorlu. See Section 12.A.9.a regarding the Company assessment of the results of the arbitration process.

Notes to the Financial Statements as at December 31, 2022

Note 12 - Contingent Liabilities, Commitments and Guarantees (cont'd)

A. Commitments (cont'd)

9. Claims by Dori Energy, Zorlu, Edelcom and EAIS (cont'd)

c) *Petition to Approve a Derivative Claim filed by Edelcom within the arbitration*

On July 25, 2016, Edelcom submitted an application for approval of a derivative claim on behalf of the Company against Amos Luzon group, currently set Amos Luzon Development and Energy Ltd. (hereinafter: "the Dori Group"), Dori Energy and Ellomay Clean Energy Ltd. (hereinafter: "Ellomay"). Edelcom's claim is about an entrepreneurship agreement that was signed on November 25, 2010 between the Company and Dori Group, pursuant to which in consideration for the management and entrepreneurship services of the power station project the Dori Group received from the Company payment in the amount of NIS 49.4 million and it undertook to continue holding, directly or indirectly, at least 10% of the Company's share capital for a period of 12 months from the date the power station is handed over to the Company by the construction contractor (hereinafter and respectively: "the entrepreneurship agreement" and "the entrepreneurship fee").

According to Edelcom, Dori Group holdings in the Company are through Dori Energy, which on November 25, 2010, entered into a triangular investment agreement between Dori Energy, Ellomay and the Dori Group (hereinafter: "the Dori Energy investment agreement"). In addition, according to Edelcom, when the Dori Energy investment

agreement was signed Ellomay received management rights in Dori Energy that are equal to those of the Dori Group while at the same time Ellomay formally held only 40% of the issued share capital of Dori Energy and therefore it was expected that the management rights granted to it would correspond to its holding rate in Dori Energy at that time. In view of the aforesaid, according to Edelcom the Dori Group holdings have fallen below 10% and it has therefore breached its commitment according to the entrepreneurship agreement. On January 4, 2017, following a signed arbitration agreement between the parties, a request was filed to the court by the parties for cancellation of the claim and the claim will be heard within the arbitration proceedings. See Section 12.A.9.a regarding the Company assessment of the results of the arbitration process.

d) *Statement of Claim filed by Edelcom within the arbitration*

On July 27, 2017, Edelcom submitted a lawsuit against Amos Luzon Group, Dori Energy and Ellomay ("Defendants"), in respect of the transfer of company shares in contrary to the provisions of the shareholders agreement signed between the Company and its shareholders on November 25, 2010 (hereinafter: "Shareholders Agreement"). According to Edelcom, the defendants interpreted unlawfully and in bad faith the provisions of the shareholders agreement while contracted in investment agreement followed by an allocation of shares made in contrary to the provisions of the shareholders agreement. Edelcom claims for a various of declaratory remedies and an operative remedy which will enforce of the sanctions set forth in the shareholders agreement, an order directed to the company and ordered her to withhold any payment due to Dori Energy by virtue of its status as a shareholder in the company, including dividends or repayment of shareholders loan, and an order addressed to the company and ordered her to suspend deceased Mr. Menachem Refael role as a director of the Company from Dori energy and prohibit deceased Mr. Rephael be present or vote in meetings of the Board. The parties agreed that this claim will be transferred to the arbitration proceedings. On October 22, 2019, the arbitrator ruled to delete the claim regarding Edelcom claim regarding the right of refusal.

Notes to the Financial Statements as at December 31, 2022

Note 12 - Contingent Liabilities, Commitments and Guarantees (cont'd)

A. Commitments (cont'd)

9. Claims by Dorad Energy, Zorlu, Edelcom and EAIS (cont'd)

e) *Statement of Claim filed by Edelcom*

On March 28, 2018, Zorlu and Edelcom filed a motion to remove the arbitrator from its position. On October 22, 2018, the District Court rejected the demand that the arbitrator be removed from its position. On February 12, 2019, the Supreme Court accepted the appeal of Zorlu and Edelcom and the arbitrator was removed from its position.

On March 28, 2018, Zorlu and Edelcom filed a motion to remove the arbitrator from its position. On October 22, 2018, the District Court rejected the demand that the arbitrator be removed from its position. On February 12, 2019, the Supreme Court accepted the appeal of Zorlu and Edelcom and the arbitrator was removed from its position.

10. Faults in production units

1. On November 21, 2018, a malfunction was discovered in the generator of one of the two steam turbines of the power station as a result that turbine was temporarily out of use until its repair in February 2019. This failure did not have materially effect on the Company operations. In 2019, the company recognized indemnification property in the amount of NIS 5.3 million (USD 1.5 million) for this failure which paid during 2019 and 2020. In 2021, the company recognized indemnification property in the amount of approximately NIS 20 million (USD 6.5 million). During the first, second and third quarters of 2022, approximately NIS 20.5 million (approximately USD 6 million) were received. During the fourth quarter in 2022, the company recognized an additional indemnity asset for the said malfunction in the amount of approximately NIS 9 million (approximately USD 2.6 million). In the company opinion, based on the company insurance consultant, the company has adequate insurance coverage for the consequences of the said malfunction and that it is certain that the company will receive the balance of the indemnity property in the amount of approximately NIS 11.3 million (approximately USD 3 million) during 2023. Subsequent to the reporting period, a total of approximately NIS 21 million (approximately USD 6 million) was received from the insurance companies.

Notes to the Financial Statements as at December 31, 2022

Note 12 - Contingent Liabilities, Commitments and Guarantees (cont'd)**A. Commitments (cont'd)****10. Faults in production units**

2. On January 26, 2022, components from the gas turbine in the power plant were damaged in the manner that this turbine was temporarily out of use, a malfunction did not materially impair the Company's current operations, the Company deducted the reduced cost of the said components which was imputed to profit and loss in the depreciation and amortization note of approximately NIS 10 million and accordingly during the third quarter the Company replaced these components with refurbished components at a cost of approximately NIS 20 million. Subsequent to the reporting period, On January 12, 2023, the company sent to the company maintenance contractor a demand for compensation for the aforementioned damages, which are not insured under the insurance in the amount of approximately USD 4.6 million caused to the company. Claiming that the damage was caused by the negligence of the maintenance contractor. Subsequent to the reporting period, On February 5, 2023, the maintenance contractor rejected the company demand. On February 27, 2023, the company decided to activate the arbitration mechanism in accordance with the operation and maintenance agreement between the parties. On May 1, 2023, A preliminary discussion was held with the agreed arbitrator, in which dates were set for meetings for the beginning of 2024.
3. On July 4, 2022, a malfunction was discovered in one of the steam turbines in the power plant in such a way that this turbine was temporarily out of use. The malfunction was treated by installing a specific replacement component in the steam turbine and the steam turbine returned to operation at the end of July 2022. The cost of repairing the malfunction component in the steam turbine is not material to the company.

Notes to the Financial Statements as at December 31, 2022

Note 12 - Contingent Liabilities, Commitments and Guarantees (cont'd)

A. Commitments (cont'd)

11. Memorandum of understanding with Alon Energy Centers

On March 6, 2019, the Company signed a memorandum of understanding with Alon Energy Centers Limited partnership. ("Alon Gat"), which constructs a private power plant for the production of electricity in Kiryat Gat with a capacity of approximately 73 megawatts.

On November 11, 2019, the Company signed an addition to the memorandum of understanding (the memorandum and Additions Document will be referred to as "Detailed Agreement") under the Detailed Agreement Alon Gat will serve as a producer who will provide the Company with the full availability of the power station and will sell the electricity produced at the power plant to the Company, which will serve as supplier. In exchange for availability and energy payments to be paid to Alon Gat for a period of 5 years and extension options cumulative to 6 years with each party the option of early termination of the detailed agreement subject to certain conditions with prior notice. In accordance with the detailed agreement, Alon Gat, who holds the production license, will be responsible for operating the power plant and generating electricity at the station and will bear all costs related to operating the power plant, availability, and power generation. The company will be responsible for all activities related to the power supply and power plant sales to the customers and the electricity company. On November 12, 2019, commercial operation of the power plant began and the implementation of the detailed agreement. In addition, conditions have been set in the agreement which at the time of their existence, each of the parties may cancel in advance notice, including for any case of regulatory change which materially affects the implementation of the contract between the parties. Following the August 2019 hearing before implementing the detailed agreement and the PUA resolution as of January 2020, regarding the standards on consumption plan anomalies amendment, which constitutes a regulatory change as defined in the agreement and may affect the financial feasibility of the agreement.

On August 12, 2021, the Company signed an amendment to the agreement that includes addressing consumption plan anomalies. As part of the amendment to the agreement, it will examine the economic viability following the PUA resolution in respect of a change in the production Tariff and a material change in the demand hours cluster. which constitutes a regulatory change as defined in the agreement and may affect the financial feasibility of the agreement, therefore, as of the date of the report the conditions for recognition of a right of use asset and lease liability have not been fulfilled accordance with IFRS 16.

Subsequent to the reporting period, on January 8, 2023, Alon Gat announced the termination of the agreement on March 31, 2023.

12. Acquisition of natural gas

On October 30, 2017, the Company signed an agreement with Energian Israel ("Energian") regarding the acquisition of natural gas, in a cumulative volume of approximately 6 BCM over a period of 14 years, from the Karish and Tanin reserves held by them and whose completion is expected to be by the end of 2020. The company will purchase about half of the gas required to operate the company power plant, the rest of the demand will continue to be supplied by Tamar. According to the agreement, if the Company does not actually consume the minimum quantity it has undertaken, it will be forced to consume this quantity. In November 2018, all the suspending conditions included in the agreement were fulfilled.

At the beginning of November 2022, Energian began to flow gas to the company power plant facility.

Notes to the Financial Statements as at December 31, 2022

Note 12 - Contingent Liabilities, Commitments and Guarantees (cont'd)

A. Commitments (cont'd)

13. Third party notice from IEC

On November 22, 2020, the Electric Company announced to the company that a class action lawsuit had been filed against it, claiming that the IEC had been negligent in supervising the conduct of private electricity suppliers and thus causing damage to electricity consumers. It is alleged that the private electricity suppliers gave false reports in the consumption plans submitted to the system manager at the IEC while utilizing the rules set by the PUA in the standards. On November 22, 2020, the IEC filed a third-party notice against the company. On October 31, 2021, a hearing was held on the request to send notices to third parties. Subsequent to the reporting period, on April 10, 2023, the court decided to reject the request to send a third parties notice from IEC. On June 11, 2023, IEC filed an appeal to the Supreme Court against the Court decision. In the Company estimation, based on the opinion of its legal counsel, at this stage cannot intelligently assess the results of the IEC appeal.

14. Possibility to expand the station by adding a turbine at the area of the existing station

The company is considering the possibility of constructing an expansion to the power plant in the area of the existing station which will be a complementary part to the station and will be synergistic to it. On July 13, 2020, the Company submitted to the National Infrastructure Committee (hereinafter: "NIC") plans for public objections and NIC approval. On January 11, 2021, following the company request, the NIC decided to postpone the final decision. On December 27, 2021, NIC Decided to bring the construction of the said expansion to government consideration (In the decision there is a condition for the building permit detailed in NIC decision number 20/2021). Subsequent to the reporting period, on May 28, 2023, the Government Secretary announced and published, that the Government approved the plans for national infrastructures regarding, among other things, the construction of an expansion to the power plant at the Dorad Ashkelon site (Dorad 2).

15. Change in the clusters of demand hours

On August 28, 2022, the Electricity Authority issued a resolution in which, among other things, a change in the clusters of demand hours (hereinafter: "Mashab") was established, according to the decision the shoulder Mashab was canceled, peak hours will be shifted in some seasons from noon to evening hours and the number of months in the summer season will be expanded to 4 months (June to September instead of July and August). Subsequent to the reporting period, on January 1, 2023, the decision enters into force. The company is examining the impact of the aforementioned decision on the company results.

16. Virtual supplier

On March 3, 2021, the Electricity Authority issued a resolution establishing a regulation for suppliers who do not have the means to produce and amend criteria for new suppliers (hereinafter: "virtual supplier"). According to the decision, in September 2021, the supply segment will be opened to competition gradually. Suppliers will purchase all the electricity supplied to their consumers from the system manager up to a general quota of 400 Megawatts, of which 100 Megawatts for domestic consumers based on the principle of based on first come, first-served basis. To meet the conditions of the supply license, on June 14, 2021, the company provided a guarantee in the amount of NIS 2 million in favor of the Electricity Authority. On July 19, 2021, the Company received the supply license for suppliers without means of production. The company is in the process of obtaining all the necessary approvals from the company board and financier to start operating as a virtual supplier. The implementation of the decision is not expected to have a material effect on the Company results.

Notes to the Financial Statements as at December 31, 2022

Note 12 - Contingent Liabilities, Commitments and Guarantees (cont'd)

A. Commitments (cont'd)

17. Dividend distribution

On February 27, 2020, the Company Board of Directors decided to distribute a dividend of NIS 120 million. On March 4, 2020, the Company paid a dividend of NIS 90 million to its Israeli shareholders and even purchased approximately USD 8.7 million (approximately NIS 30 million). On the same date) for the payment of the dividend to a shareholder that is a foreign company subject to the receipt of withholding tax deduction. On March 17, 2020, upon receipt of a withholding tax certificate, the Company transferred to the foreign company the dividend of USD 8.7 million (approximately NIS 34 million at the date of payment).

On May 6, 2021, the Company Board of Directors decided to distribute a dividend of NIS 100 million. On May 11, 2021, the Company paid a dividend of NIS 75 million to its Israeli shareholders and even purchased approximately USD 7.7 million (approximately NIS 25 million on the same date) for the payment of the dividend to a shareholder that is a foreign company subject to the receipt of withholding tax deduction. On June 1, 2021, upon receipt of a withholding tax certificate, the Company transferred to the foreign company the dividend of USD 7.7 million (approximately NIS 25 million at the date of payment).

18. Settlement agreement with the Egyptian gas supplier

On December 28, 2020, the Company signed a settlement agreement with East Mediterranean Gas company (hereinafter: "EMG"), in the agreement the Company will remove any claim against EMG for the amounts paid by the Company to EMG in respect of the canceled gas agreement and in return will receive an amount of approximately NIS 13 million, an amount of approximately NIS 1.3 million was received on December 29, 2020. The balance of NIS 11.6 million received during 2021.

B. Bank guarantees

As at the date of the report, the Company provided, through its shareholders, based on their proportionate holdings in the Company and pursuant by the financing agreements bank guarantees to INGL, the Public Utilities Authority ("PUA"), for purposes of compliance with the terms of the licenses granted to the Company, and in favor of NOGA, as required under the Company's agreement with NOGA, and in accordance with the guidelines published by the PUA. On January 2022, there was an update to the amount of the guarantee provided to NOGA whereas the total updated amount is NIS 146 million. In order to comply with the terms of the supply license of a virtual supplier, the company has provided a guarantee in the amount of NIS 2 million in favor of the PUA.

Notes to the Financial Statements as at December 31, 2022

Note 12 - Contingent Liabilities, Commitments and Guarantees (cont'd)

C. Liens

During the month of January 2011, the Company placed liens on its assets as collateral for the obligations of the Company and its shareholders as follows:

1. Fixed lien – A fixed lien and first priority mortgage and an assignment by way of lien on all the assets and rights with respect to the power plant in Ashkelon (“the Project”) and all as detailed in the mortgage deed and its appendices.
2. Floating lien – An unlimited first priority floating lien on all of the rights and assets of the borrower, any object and/or equipment and any other tangible or intangible asset of any type as specified in the financing agreements.
3. Lien on account of guarantees to third parties – a fixed lien, mortgage and assignment by way of a first priority lien, and a second priority lien on all assets and rights with respect to the account of guarantees including the funds, the securities, the documents and the notes of others of any type that will be deposited in the account from time to time, as detailed in the mortgage deed and all of its appendices.
4. Lien on the land of the project – A fixed lien and first priority mortgage and an assignment by way of lien on all of the rights, existing and future, of the pledger with no exceptions, per the development agreement that was signed between the pledger and the Israel Lands Administration (“ILA”) with respect to the land.

Note 13 - Share Capital

Composition of the share capital in nominal values:

	Number of shares		
	December 31		
	Authorized	Issued and paid-in	Issued and paid-in
		2022	2021
Ordinary shares of NIS 1 par value	500,000	10,640	10,640

See Note 12A(1)(a) regarding an issuance of shares against a conversion of loans into equity.

Note 14 - General and Administrative Expenses

	For the year ended December 31		
	2022	2021	2020
	NIS thousands		
Wages and related expenses	13,923	13,490	13,191
Rental and office maintenance	2,700	2,581	2,310
Profession services	6,578	7,263	8,583
Depreciation	772	919	913
Other	93	8	30
Expenses (income) doubtful debt	-	241	(101)
	24,066	24,502	24,926

Notes to the Financial Statements as at December 31, 2022

Note 15 - Financing Income and Expenses, Net

	Year ended December 31		
	2022	2021	2020
	NIS thousands		
Financing income			
Net foreign exchange	31,784	-	-
Revaluation of derivatives	13,914	3,110	-
Interest income from bank deposits	6,433	1,584	3,056
Total financing income	52,131	4,694	3,056
Financing expenses			
Revaluation of derivatives	-	-	11,050
Interest expense on bank loans	268,802	206,328	132,763
Net foreign exchange loss	-	8,768	11,228
Bank commissions	587	1,030	645
Lease financing expenses	1,472	1,484	1,546
Other financing expenses	255	1,403	196
Total financing expenses	271,116	219,013	157,428
Net financing expenses	218,985	214,319	154,372

Note 16 - Financial Instruments

A. Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents quantitative and qualitative information about the Company's exposure to each of the above risks, and the Company's objectives, policies and processes for measuring and managing risk.

In order to manage these risks and as described hereunder (see note 16.E.1), the Company executes transactions in derivative financial instruments. Presented hereunder is the composition of the derivatives:

	December 31	
	2022	2021
	NIS thousands	
Derivatives presented under current liability		
Forward exchange contracts used for economic hedge	-	(268)

Notes to the Financial Statements as at December 31, 2022

Note 16 - Financial Instruments (cont'd)**B. Risk management framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Company risk management framework. The Board has established the Financial Committee, which is responsible for defining a risk management policy. The committee reports regularly to the Board of Directors on its activities.

C. Credit Risk

Credit Risk is a risk for a financial loss caused to the company if the counterparty of the financial instrument fails to meet his contractual obligations.

Cash and cash equivalents

As at December 31, 2022, the Company has cash and cash equivalents in the amount of NIS 151,481 thousand (December 31, 2021 - NIS 201,860 thousand). The Company's cash and cash equivalents are deposited with a financial institution having a high credit rating (international rating scale).

Pledge deposits

The company does not hold pledge deposits.

Restricted deposits

As at December 31, 2022 the Company has deposits in the amount of NIS 514,543 thousand that are restricted according to the financing agreements (December 31, 2021 – NIS 480,476 thousand). The Company's restricted deposits are held with a financial institution having a high credit rating (international rating scale).

Trade and other receivables (Current assets)

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company has established a credit policy under which each new customer is analyzed individually for credit worthiness. If necessary, the customer will be examined individually again. The Company review includes external ratings, when available. The collection from the company customers is carried out on a regular basis.

D. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company reputation.

The Company has contractual commitments due to financing agreements, O&M agreement, the Gas Purchase agreement and the Gas Pipeline agreement. For further information see Note 12.

Notes to the Financial Statements as at December 31, 2022

Note 16 - Financial Instruments (cont'd)

D. Liquidity risk (cont'd)

The following are the contractual maturities of financial liabilities at undiscounted amounts and based on the rates at the reporting date, including estimated interest payments.

	December 31, 2022						
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
				NIS thousands			
Non-derivative financial liabilities							
Trade payables	228,468	228,468	228,468	-	-	-	-
Other payables	9,876	9,876	9,876	-	-	-	-
Lease liabilities	53,937	53,937	199	4,446	4,645	12,939	31,708
Loans from banks	2,491,401	2,891,099	190,630	177,477	365,859	998,116	1,159,017
	2,783,682	3,183,380	429,173	181,932	370,504	1,011,055	1,190,725

Notes to the Financial Statements as at December 31, 2022

Note 16 - Financial Instruments (cont'd)

D. Liquidity risk (cont'd)

	December 31, 2021					
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years
	NIS thousands					
Non-derivative financial liabilities						
Trade payables	324,532	324,532	324,532	-	-	-
Other payables	6,067	6,067	6,067	-	-	-
Lease liabilities	53,493	53,493	296	4,329	4,622	16,134
Loans from banks	2,637,538	3,162,681	211,102	170,088	355,211	1,011,752
	<u>3,021,630</u>	<u>3,549,773</u>	<u>541,997</u>	<u>174,417</u>	<u>359,833</u>	<u>1,027,886</u>
						<u>1,442,640</u>

Bodies that provided financing for the project's construction

Credit risk from bodies that provided financing to the Company for the project's construction in respect of the financing agreements as described in Note 12A(1). These bodies have a high credit rating.

E. Market risk

Market risk is the risk that changes in market prices will affect the Company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

As of December 31, 2022, and since the beginning of commercial operation of the power plant, the management estimates that the main risks are changes in regulations applicable to the area of operations as approved by the electricity authority and changes in load, system, and time ("TAOZ"), a change in the gas purchase costs and other changes in the electricity and gas market, COVID-19 effect, political and security events.

Notes to the Financial Statements as at December 31, 2022

Note 16 - Financial Instruments (cont'd)

E. Market risk (Cont'd)

(1) Linkage and foreign currency risk

As a result of the Company's agreement with the construction contractor, maintenance contractor and the gas suppliers, as described in Note 12, the Company is exposed to changes in the dollar/NIS exchange rate. In order to reduce this exposure, the Company entered into forward transactions to purchase dollars for NIS. As a result of loans from banks and shareholders that are linked to the CPI, the Company is exposed to changes in the CPI. To reduce this exposure, the Company entered forward transactions to purchase CPI.

(a) The exposure to linkage and foreign currency risk

The Company's exposure to linkage and foreign currency risk is as follows:

	December 31, 2022					
	Non-financial	Unlinked	CPI-linked	US Dollar linked	Euro linked	Total
	NIS thousand					
Financial assets and financial liabilities:						
Current assets:						
Cash and cash equivalents	-	91,588	-	59,893	-	151,481
Trade receivables	-	238,581	-	-	-	238,581
Other receivables	32,809	-	-	-	-	32,809
Non-current assets:						
Restricted deposits	-	270,716	-	243,827	-	514,543
Prepaid expenses	32,072	-	-	-	-	32,072
Fixed assets	3,253,196	-	-	-	-	3,253,196
Intangible assets	6,404	-	-	-	-	6,404
Right of use assets	57,486	-	-	-	-	57,486
Current liabilities:						
Current maturities of loans from banks	-	-	279,506	-	-	279,506
Current maturities of lease liabilities	-	-	4,645	-	-	4,645
Trade payables	-	206,749	-	21,714	5	228,468
Current tax liabilities						
Other accounts payable	1,563	9,876	-	-	-	14,439
Financial derivatives						
Non-current liabilities:						
Loans from banks	-	-	2,211,895	-	-	2,211,895
Other long-term liabilities	-	-	-	17,529	-	17,529
Long-term lease liabilities	-	-	49,292	-	-	49,292
Provisions for dismantling and restoration	50,000	-	-	-	-	50,000
Deferred tax liabilities	215,016	-	-	-	-	215,016
Liabilities for employee benefits, net	160	-	-	-	-	160
Total exposure in statement of financial position in respect of financial assets and financial liabilities						
	3,115,228	384,260	(2,545,338)	264,477	(5)	1,218,622

Notes to the Financial Statements as at December 31, 2022

Note 16 - Financial Instruments (cont'd)

E. Market risk (cont'd)

(1) Linkage and foreign currency risks (cont'd)

(a) The exposure to linkage and foreign currency risk (cont'd)

The Company's exposure to linkage and foreign currency risk is as follows:

	December 31, 2021				
	Non-financial	Unlinked	CPI-linked	US Dollar linked	Total
	NIS thousand				
Financial assets and financial liabilities:					
Current assets:					
Cash and cash equivalents	-	151,323	-	50,537	201,860
Trade receivables	-	248,844	-	-	248,844
Other receivables	40,289	-	-	-	40,289
Non-current assets:					
Restricted deposits	-	268,317	-	212,159	480,476
Prepaid expenses	33,235	-	-	-	33,235
Fixed assets	3,378,466	-	-	-	3,378,466
Intangible assets	6,038	-	-	-	6,038
Right of use assets	57,530	-	-	-	57,530
Current liabilities:					
Current maturities of loans from banks	-	-	280,753	-	280,753
Current maturities of lease liabilities	-	-	4,622	-	4,622
Trade payables	-	280,211	-	44,321	324,532
Current tax liabilities	21,795	-	-	-	21,795
Other accounts payable	7,100	-	-	-	7,100
Financial derivatives	-	-	-	268	268
Non-current liabilities:					
Loans from banks	-	-	2,356,785	-	2,356,785
Long-term lease liabilities	15,834	-	-	-	15,834
Provisions for dismantling and restoration	-	-	48,871	-	48,871
Deferred tax liabilities	50,000	-	-	-	50,000
Liabilities for employee benefits, net	192,676	-	-	-	192,676
	160	-	-	-	160
Total exposure in statement of financial position in respect of financial assets and financial liabilities	3,227,993	388,273	(2,691,031)	218,107	1,143,342

Notes to the Financial Statements as at December 31, 2022

Note 16 - Financial Instruments (cont'd)

E. Market risk (cont'd)

(1) Linkage and foreign currency risks (cont'd)

(a) The exposure to linkage and foreign currency risk (cont'd)

The Company's exposure to foreign currency risk due to derivative financial instruments is as follows:

	December 31, 2021				Fair value NIS thousands
	Currency/ linkage receivable	Currency/ linkage payable	Principal amount in \$ millions	Dates range of expiration	
Instruments used					
Economic Hedge:					
Forward foreign				31.01.2022	
currency contracts	US dollars	NIS	34	31.12.2022	(268)

(b) Sensitivity analysis

A change as at December 31 in the exchange rates of the following currencies against the NIS, as indicated below, and a change in the CPI would have increased (decreased) profit or loss and equity by the amounts shown below. This analysis is based on foreign currency exchange rate and CPI variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	December 31, 2022		December 31, 2021	
	Increase	Decrease	Increase	Decrease
	Profit or loss	Profit or loss	Profit or loss	Profit or loss
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Change in the exchange rate of:				
5% in the US dollar (1)	15,186	(15,186)	13,135	(13,135)
10% in the U.S. dollar (1)	30,372	(30,372)	26,270	(26,270)
1% change in CPI (2)	(24,914)	24,914	(26,375)	26,375
2% change in CPI (2)	(49,828)	49,828	(52,751)	52,751

- (1) The sensitivity derives mainly from balances of cash, restricted deposits, derivatives and balances of trade and other payables in foreign currency.
- (2) The effect of the change on equity is the same as in profit or loss.

Notes to the Financial Statements as at December 31, 2022

Note 16 - Financial Instruments (cont'd)

F. Fair value

(1) Fair values versus carrying amounts

The carrying amounts of certain financial assets and liabilities, including cash and cash equivalents, other accounts receivable, pledged deposits, derivative financial instruments, trade payables, long term loans from related parties and other accounts payable are the same or proximate to their fair value.

The fair values of the financial liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	December 31			
	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Long-term loans from banks (*)	<u>2,491,401</u>	<u>2,477,757</u>	<u>2,637,538</u>	<u>2,728,343</u>

(*) Including current maturities.

(2) Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date (level 2 on fair value hierarchy) plus an adequate credit spread, and were as follows:

	December 31	
	2022	2021
	%	%
	<u>3.3%</u>	<u>3.3%</u>
Long-term loans from banks		

(3) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical instruments
- Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly
- Level 3: inputs that are not based on observable market data (unobservable inputs).

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Derivatives used for hedging:				
Forward foreign currency contracts	<u>-</u>	<u>(268)</u>	<u>-</u>	<u>(268)</u>

Notes to the Financial Statements as at December 31, 2022

Note 17 - Lease

The Company applies IFRS 16, *Leases*, as from January 1, 2019. The Company has lease agreements with respect to the following items:

- (1) Land
- (2) Offices

(1) Information regarding material lease agreements

- (a) The Company leases land from EAIS for a period of 25 years during which the Company established a power station. The contractual period ends on May 20, 2039. The total liability for the lease and the right of use assets recognized in the statement of financial position as of December 31, 2022, for the lease was approximately NIS 52,896 thousand and NIS 56,464 thousand respectively.

Following an agreement signed with the EAIS, regarding the land lease, the Company paid NIS 3,047 thousand for its share of the lease payments paid by the EAIS to the ILA. This amount was capitalized to the right of use assets and amortized during the lease period, see Note 12A (2).

- (b) The Company leases offices from Africa Israel for a period of 5 years with extension options, the extension periods end on December 8, 2022. On February 28, 2022, the company signed the extension of the agreement until June 30, 2025. The total liability for the lease and the right of use assets recognized in the statement of financial position as of December 31, 2022, for the lease of the offices is approximately NIS 1,041 thousand and approximately NIS 1,022 thousand respectively.

(2) Right-of-use assets

(a) Composition and changes

	<u>Land *</u> <u>NIS thousands</u>	<u>offices</u> <u>NIS thousands</u>	<u>Total</u> <u>NIS thousands</u>
Balance as at January 1, 2021	58,991	1,122	60,113
Depreciation on right-of-use assets	(3,231)	(585)	(3,816)
Index on right-of-use assets	1,212	21	1,233
Balance as at January 1, 2022	56,972	558	57,530
Addendum to office rental agreement	-	797	797
Depreciation on right-of-use assets	(3,345)	(398)	(3,743)
Index on right-of-use assets	2,837	65	2,902
Balance as at December 31, 2022	56,464	1,022	57,486

* The balance of land includes the classification of prepayment of lease payments, see above in Note 17 (1) a.

Notes to the Financial Statements as at December 31, 2022

Note 17 - Lease (cont'd)
(3) Lease liability
Maturity analysis of the Company lease liabilities

	December 31, 2022 NIS thousands
Less than one year	4,645
One to five years	21,829
More than five years	27,463
Total	53,937
Current maturities of lease liability	4,645
Long-term lease liability	49,292
Total	53,937

(4) Additional information on leases

	Year ended December 31, 2022	Year ended December 31, 2021	Year ended December 31, 2020
	NIS thousands	NIS thousands	NIS thousands
(a) Amounts recognized in profit or loss			
Interest expenses on lease liability	1,472	1,484	1,546
		Year ended December 31, 2022	Year ended December 31, 2021
		NIS thousands	NIS thousands
(a) Amounts recognized in the statement of cash flows			
Cash outflow for leases		4,726	4,624

Notes to the Financial Statements as at December 31, 2022

Note 18 - Related and Interested Parties

Transactions with related and interested parties

Details of transactions with related and interested parties are presented below (all the transactions are at market terms):

Related party/Interested party	Nature of transaction	Year ended December 31			December 31	
		2022	2021	2020	2022	2021
		Transactions amounts			Outstanding balance	
Parties having significant influence	On December 2017 the Company entered into an agreement with Edeltech O&M Ltd regarding operation and maintenance of the power plant including the purchasing of spare parts	<u>221,847</u>	<u>178,770</u>	<u>170,765</u>	<u>22,471</u>	<u>26,772</u>
Parties having significant influence	The Company entered into an agreement with EAPSS regarding operation and maintenance of the power plant including the purchasing of spare parts and repairs as from November 2012 see Note 12A(10). The payments will be made on a monthly basis throughout the period of the agreement. See Note 12A(3)) regarding a subcontracting agreement between EAPSS and Ezom Ltd. As of December 2017, the agreement is directly with Edeltech. From November 2022, the agreement was converted to EAIS.	<u>3,458</u>	<u>3,336</u>	<u>3,310</u>	<u>-</u>	<u>-</u>
Parties having significant influence	The Company entered into a lease agreement of the land for the power plant (see Note 12A(2)).	<u>4,124</u>	<u>4,019</u>	<u>4,056</u>	<u>-</u>	<u>-</u>
Related Party	The Company engage with Ramat Negev Energy for purchase electricity and gas.	<u>13,356</u>	<u>1,838</u>	<u>1,594</u>	<u>-</u>	<u>-</u>
Key management personnel	Salary and benefits for the company Key management personnel	<u>5,694</u>	<u>5,446</u>	<u>5,621</u>	<u>2,049</u>	<u>1,964</u>

Note 19 - Subsequent Events

- A. On January 26, 2023, the PUA published an update of the aforementioned decision according to which the average production component decreased by approximately 1.2% compared to the aforementioned rate. On March 26, 2023, the PUA published an update of the aforementioned decision according to which the average production component decreased by about 1.4% compared to the rate in the previous decision, which came into effect as of April 1, 2023, and for the rest of 2023.
- B. On January 12, 2023, a demand for compensation was sent to the company maintenance contractor for damages in the amount of approximately USD 4.6 million caused to the company due to a malfunction caused in January 2022 to one of the company gas turbines. On February 5, 2023, the maintenance contractor rejected the company demand. On February 27, 2023, the company decided to trigger the arbitration mechanism under the operation and maintenance agreement between the parties. On May 1, 2023, A preliminary meeting was held with the agreed arbitrator, in which dates were set for meetings at the beginning of 2024 (note 12.A.10).
- C. Regarding the insurance amounts received from the insurance companies after the reporting date in the amount of approximately NIS 21 million (approximately USD 6 million), see note 12.A.10.
- D. On January 8, 2023, Alon Gat announced the termination of the agreement with the company on March 31, 2023 (note 12.A.11).
- E. On April 10, 2023, the court decided to reject the request to send a third parties notice from IEC. On June 11, 2023, IEC filled an appeal to the Supreme Court against the Court decision (Note 12.A.(13)).
- F. On April 4, 2023, the company received from the rating company S&P Maalot an update of the company debt rating forecast to ILAA-/Negative. Updating the aforementioned rating forecast had no effect on the company interest rate.
- G. On May 28, 2023, Government Secretary announced and published, that the Government approved the plans for national infrastructures regarding, among other things, the construction of an expansion to the power plant at the Dorad Ashkelon site (Dorad 2).

Certification Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934.

I, Ran Fridrich, certify that:

1. I have reviewed this amendment no. 1 to annual report on Form 20-F of Ellomay Capital Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 29, 2023

/s/ Ran Fridrich
Ran Fridrich
Chief Executive Officer

Certification Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934.

I, Kalia Rubenbach, certify that:

1. I have reviewed this amendment no. 1 to annual report on Form 20-F of Ellomay Capital Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 29, 2023

/s/ Kalia Rubenbach

Kalia Rubenbach
Chief Financial Officer

Certification Pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code.

In connection with Amendment No. 1 of the Annual Report on Form 20-F of Ellomay Capital Ltd. (the “Company”) for the year ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned officers of the Company hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- A) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- B) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Ran Fridrichy

Ran Fridrich

Chief Executive Officer

/s/ Kalia Rubenbach

Kalia Rubenbach

Chief Financial Officer

Date: June 29, 2023

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the registration statements (Nos. 333-187533, 333-102288 and 333-92491) on Form S-8 and (Nos. 333-199696 and 333-144171) on Form F-3 of Ellomay Capital Ltd. of our report dated June 21, 2023, with respect to the financial statements of Dorad Energy Ltd. which report appears in the Form 20-F/A of Ellomay Capital Ltd. dated June 29, 2023.

/s/ Somekh Chaikin

Somekh Chaikin
Member Firm of KPMG International

Tel-Aviv, Israel

June 29, 2023