Keystone Infra Ltd.

Interim Financial Information

(Unaudited)

30 September 2024

This report is a translation of Keystone Infra's Hebrew-language interim financial information, prepared solely for convenience purposes. Please note that the Hebrew version is the binding version, and in any event of discrepancy, the Hebrew version prevails.

Contents

[letterhead of PWC]

Auditors' review report to the shareholders of Keystone Infra Ltd.

Introduction

We have reviewed the accompanying financial information of Keystone Infra Ltd. which includes the Condensed Statement of Financial Position as of 30 September 2024 and the Condensed Statements of Comprehensive Income, Changes in Equity and Cash Flows for the nine- and three-month periods then ended. The board of directors (the "**Board**") and management are responsible for the preparation and presentation of the financial information for these interim periods in accordance with IAS 34 "Interim Financial Reporting", and they are responsible for the preparation of information for these interim periods under Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. Our responsibility is to express a conclusion on these interim financial information, based on our review.

Scope of Review

We conducted our review in accordance with Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel – "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Generally Accepted Auditing Standards in Israel, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the aforementioned financial information has not been prepared, in all material respects, in accordance with IAS 34.

In addition to the statements in the previous paragraph, based on our review, nothing has come to our attention which causes us to believe that the aforementioned financial information does not meet, in all material respects, the disclosure provisions under Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

Tel Aviv,	KESSELMAN & KESSELMAN
26 November 2024	Certified Public Accountants
	A member firm of PricewaterhouseCoopers International Limited

[Letterhead of PWC)

26 November 2024

To:
The Board of Directors of Keystone Infra Ltd.

4 Ariel Sharon, Givatayim

Dear Sir/Madam,

Re: **Letter of consent in connection with the shelf prospectus of Keystone Infra Ltd. (the "Company") of May 2024**

We hereby notify you that we agree to the inclusion (including by way of reference) of our report which is specified below in a shelf offering to be published by the Company, if any, by virtue of the Company's May 2024 shelf prospectus:

The auditor's review report as of 26 November 2024 on the Company's condensed financial information as of 30 September 2024 and the nine- and three-month periods then ended.

Sincerely,

KESSELMAN & KESSELMAN
Certified Public Accountants
A member firm of PricewaterhouseCoopers International Limited

Keystone Infra Ltd. - Statements of Financial Position

	Note	30 September 2024	30 September 2023	31 December 2023
		(Unaudited)	(Unaudited)	(Audited)
		ILS in thousands		
Assets				
Current assets				
Cash and cash equivalents		103,607	110,407	80,904
Accounts receivable		39,888	3,098	5,820
		143,495	113,505	86,724
Non-current assets				
Investments in investees and loans	4A	2,902,760	2,748,853	3,006,740
Pledged deposit		5,300	32,998	33,000
Accounts receivable		1,150	-	-
Property, plant and equipment, net		-	6	-
		2,909,210	2,781,857	3,039,740
Total Assets		**3,052,705**	**2,895,362**	**3,126,464**
Liabilities and equity				
Current liabilities				
Commercial papers and short-term loans		187,500	370,000	187,500
Current maturities of bonds		56,594	35,326	54,670
Accounts payable		29,670	25,064	21,882
		273,764	430,390	264,052
Non-current liabilities				
Bonds		644,191	656,567	620,682
Long-term loans		-	-	187,500
Accounts payable		6,771	6,771	6,771
Deferred taxes		156,718	118,951	189,348
		807,680	782,289	1,004,301
Total liabilities		1,081,444	1,212,679	1,268,353
Equity				
Share capital		1,495,664	1,331,536	1,331,536
Proceeds on account of options		9,036	-	-
Share-based payment capital reserve		21,341	18,547	18,547
Retained earnings		445,220	332,600	508,028
		1,971,261	1,682,683	1,858,111
Total Liabilities and Equity		**3,052,705**	**2,895,362**	**3,126,464**

Date of approval of the Financial Statements by the Company's Board: 26 November 2024

Aharon Biram	Navot Bar	Rachel Segal
Chairman of the Board	CEO	Chief Financial Officer

Keystone Infra Ltd. - Statements of Comprehensive Income

		9 months ended 30 September		3 months ended 30 September		Year ended 31 Dec.
		2024	2023	2024	2023	2023
		(Unaudited)		(Unaudited)		(Audited)
	Note	ILS in thousands				
Revenue	4B					
Net change in fair value of investments in investees measured at fair value through profit or loss, net of income from dividend, interest and loan proceeds		(134,980)	166,724	(35,982)	40,425	406,767
Income from dividend, interest and loan proceeds		175,159	211,989	27,673	36,319	252,597
Total revenue		**40,179**	**378,713**	**(8,309)**	**76,744**	**659,364**
Operational expenses						
Management fees		26,066	23,053	9,303	7,995	31,058
Share-based payment expenses		2,794	-	-	-	-
Transaction costs due to acquisition of investees (primarily professional services)		1,207	957	1,132	747	1,161
Other operational expenses		7,491	4,696	2,483	1,509	6,773
Total expenses		**37,558**	**28,706**	**12,918**	**10,251**	**38,992**
Operating income (loss)		**2,621**	**350,007**	**(21,227)**	**66,493**	**620,372**
Financing income		4,590	5,224	1,335	1,759	6,276
Financing expenses		(43,349)	(50,581)	(16,047)	(14,254)	(61,173)
Profit (loss) before income taxes		**(36,138)**	**304,650**	**(35,939)**	**53,998**	**565,475**
Tax expenses (income) - deferred		(32,630)	51,197	(20,673)	4,506	121,594
Total comprehensive income (loss) attributable to the Company's shareholders		**(3,508)**	**253,453**	**(15,266)**	**49,492**	**443,881**
Basic and diluted earnings (loss) per share attributable to the Company's shareholders (in ILS)		**(0)**	**1.7**	**(0.1)**	**0.3**	**2.9**

The accompanying notes are an integral part of the Financial Statements

Keystone Infra Ltd. - Statements of changes in equity

	Attributable to the Company's shareholders				
	Share capital	Proceeds on account of options	Share-based payment capital reserve	Retained earnings	Total capital
	ILS in thousands				
Balance as of 1 January 2024 (audited)	1,331,536	-	18,547	508,028	1,858,111
Issue of capital	164,128	9,036	-	-	173,164
Share-based payment	-	-	2,794	-	2,794
Loss for the period	-	-	-	(3,508)	(3,508)
Dividend	-	-	-	(59,300)	(59,300)
Balance as of 30 September 2024 (unaudited)	**1,495,664**	**9,036**	**21,341**	**445,220**	**1,971,261**
Balance as of 1 January 2023 (audited)	1,320,388	11,148	18,547	124,147	1,474,230
Income for the period	-	-	-	253,453	253,453
Expiration of options	11,148	(11,148)	-	-	-
Dividend	-	-	-	(45,000)	(45,000)
Balance as of 30 September 2023 (unaudited)	**1,331,536**	**-**	**18,547**	**332,600**	**1,682,683**

Keystone Infra Ltd. - Statements of changes in equity

	Attributable to the Company's shareholders				
	Share capital	Proceeds on account of options	Share-based payment capital reserve	Retained earnings	Total capital
	ILS in thousands				
Balance as of 1 July 2024 (unaudited)	1,495,664	9,036	21,341	501,286	2,027,327
Loss for the period				(15,266)	(15,266)
Dividend	-	-	-	(40,800)	(40,800)
Balance as of 30 September 2024 (unaudited)	**1,495,664**	**9,036**	**21,341**	**445,220**	**1,971,261**
Balance as of 1 July 2023 (unaudited)	1,331,536	-	18,547	298,108	1,648,191
Income for the period	-	-	-	49,492	49,492
Dividend	-	-	-	(15,000)	(15,000)
Balance as of 30 September 2023 (unaudited)	**1,331,536**	**-**	**18,547**	**332,600**	**1,682,683**

	Attributable to the Company's shareholders				
	Share capital	Proceeds on account of options	Share-based payment capital reserve	Retained earnings	Total capital
	ILS in thousands				
Balance as of 1 January 2023 (audited)	1,320,388	11,148	18,547	124,147	1,474,230
Income for the year	-	-	-	443,881	443,881
Expiration of options	11,148	(11,148)	-	-	-
Dividend	-	-	-	(60,000)	(60,000)
Balance as of 31 December 2023 (audited)	**1,331,536**	**-**	**18,547**	**508,028**	**1,858,111**

The accompanying notes are an integral part of the Financial Statements

Keystone Infra Ltd. - Statements of Cash Flows

	9 months ended 30 September		3 months ended 30 September		Year ended 31 Dec.
	2024	2023	2024	2023	2023
	(Unaudited)		(Unaudited)		(Audited)
	ILS in thousands				
Cash flows from operating activities					
Income (loss) for the period	(3,508)	253,453	(15,266)	49,492	443,881
Adjustments required for presenting cash flows from operating activities:					
Adjustments to profit and loss items -					
Depreciation and amortizations	-	10	-	4	16
Deferred taxes	(32,630)	51,197	(20,673)	4,506	121,594
Change in fair value of investments in investees	134,980	(166,724)	35,982	(40,425)	(406,767)
Income from dividend, interest and loan proceeds	(175,159)	(211,989)	(27,673)	(36,319)	(252,597)
Share-based payment expenses	2,794	-	-	-	-
Financing expenses, net	38,759	45,357	14,712	12,495	54,897
	(31,256)	(282,149)	2,348	(59,739)	(482,857)
Changes in the Company's asset and liability items -					
Decrease (increase) in accounts receivable	(10,727)	25,231	(13,591)	(1,002)	22,509
Increase (decrease) in accounts payable	3,214	3,150	8	(1,375)	1,188
	(7,513)	28,381	(13,583)	(2,377)	23,697
Cash paid and received during the period by the Company for:					
Interest paid	(14,052)	(18,353)	-	(4,272)	(27,264)
Dividend, interest, and proceeds due to loans received	175,159	211,989	27,673	36,319	252,597
	161,107	193,636	27,673	32,047	225,333
Net cash provided by operating activities	118,830	193,321	1,172	19,423	210,054

Keystone Infra Ltd. - Statements of Cash Flows

	9 months ended 30 September		3 months ended 30 September		Year ended 31 Dec.
	2024	2023	2024	2023	2023
	(Unaudited)		(Unaudited)		(Audited)
	ILS in thousands				
Cash flows from investing activities					
Acquisition of investees, net	(31,000)	(61,710)	(6,592)	(1,524)	(79,554)
Loan to related company	(24,491)	-	(22,496)	-	-
Release (creation) of bank deposits	27,700	(1,319)	24,406	(379)	(1,321)
Net cash used in investing activities	(27,791)	(63,029)	(4,682)	(1,903)	(80,875)
Cash flows from financing activities					
Proceeds from issue of shares	176,237	-	-	-	-
Proceeds from issue of bonds	-	-	-	-	18,080
Issue expenses	(3,073)	-	-	-	(58)
Issue of commercial paper	-	40,000	-	-	37,500
Long-term loans received from a financial institution	-	-	-	-	187,500
Long-term loans repaid to financial institution	(187,500)	(170,000)	-	(30,000)	(350,000)
Dividend paid	(54,000)	(30,000)	(20,500)	(10,000)	(45,000)
Repayment of bonds	-	-	-	-	(36,412)
Net cash provided by (used in) financing activities	(68,336)	(160,000)	(20,500)	(40,000)	(188,390)
Increase (decrease) in cash and cash equivalents	22,703	(29,708)	(24,010)	(22,480)	(59,211)
Cash and cash equivalents at the beginning of the period	80,904	140,115	127,617	132,887	140,115
Cash and cash equivalents at the end of the period	**103,607**	**110,407**	**103,607**	**110,407**	**80,904**
Information about investing activities not involving cash flows:					
Declared dividend	20,300	15,000	20,300	15,000	15,000

The accompanying notes are an integral part of the Financial Statements

Note 1 – General

A. The Business

Keystone Infra Ltd. (the "**Company**") was incorporated in Israel on 18 February 2019 at which time it started its operations. The address of the Company's registered office is 4 Ariel Sharon, Givatayim.

In May 2021, the Company released an initial public offering prospectus together with a listing prospectus and a shelf prospectus, and on 1 June 2021, upon completion of an initial public offering (IPO), the Company became a public company whose securities are traded on the Tel Aviv Stock Exchange Ltd. ("**TASE**").

In the reporting period, the Company completed a capital raising by way of public offering of shares and Series 2 Warrants in the amount of ILS 176 million, see Note 6.D below.

On 23 October 2023, the Company changed its name from Keystone REIT Ltd. to Keystone Infra Ltd.

The primary objective of the Company is to generate a return for investors by means of investment in infrastructure assets, while mitigating risk by diversifying investments in different segments within the infrastructure sector, primarily in Israel. The goals of the Company are to generate a return for investors from value increases and dividend distribution.

In 2014 a committee was formed to promote the establishment of listed infrastructure investment funds (the "Committee"), in order to examine and recommend means and measures to encourage the establishment of tradable infrastructure investment funds, for the purpose of expanding the sources of finance available for infrastructure projects in Israel, reducing their capital and credit costs and supporting the State's ability to implement projects of national importance, as well as opening up a new investment channel for the public and enabling it to directly partner in the investment in such projects.

According to the recommendations of the Committee, the funds will benefit from a special tax regime; see Note 11E to the financial statements as of 31 December 2023. The Committee released its final recommendations in June 2019, but has not yet been passed as legislation.

The Company is defined as an investment entity under IFRS 10, and accordingly measures its investments at fair value, as specified in Note 3 to the financial statements as of 31 December 2023.

The Company has entered into an agreement with a management company (MC) for sourcing management services, with the management fees paid to the MC calculated based on the fair value of the Company's assets. Furthermore, the MC is entitled to options for 5% of the total shares allotted in every issue, at an exercise price equal to the issue price; see Note 12A1 to the financial statements as of 31 December 2023.

Given the mechanisms currently established in the agreement between the Company and the MC, the MC and the controlling shareholders thereof – Gil and Esther Deutsch, Aharon Naftali Biram and Navot Bar, are deemed controlling shareholders of the Company.

While the MC continues to be deemed as the controlling shareholder of the Company, the agreement with the MC will be approved from time to time according to the law, and, inter alia, in accordance with the provisions of Chapter V of the Companies Law and the regulations promulgated thereunder.

Note 1 – General (Cont.)

B. Preparation for Exercise of an Option in Egged Partnership

The agreement for acquisition of 60% of Egged’s shares included the grant of a put option to the shareholders for purchase of the remainder of their shares after two and three years have passed after the transaction closing date (as specified in Note 7.C.9 to the financial statements as of 31 December 2023). The first exercise date is in October 2024, when the sellers were required to deliver exercise notices to Keystone Fund – Egged Partnership, Limited Partnership (“**Egged Partnership**”) by 4 August 2024, and the payment date for the first exercise of the option is scheduled for February 2025. The dates related to the second exercise are the same, respectively, to those of the first exercise, only in 2025 and 2026.

On 29 July 2024, the Egged Partnership was informed that notices were given about the exercise of the put option for an aggregate approx. 18% of Egged's issued capital, such that the holdings of the Egged Partnership in Egged following the first exercise are expected to increase to approx. 78%. As of that date, the consideration estimated for the closing of the purchase indicated in the exercise notices, is approx. ILS 850 million, with this amount subject to adjustments for CPI, dividend distributions and indemnification claims according to the terms and conditions of the purchase transaction. As of reporting date, the Egged Partnership is working to exercise its rights under the agreement, including, if necessary, appropriate legal proceedings. As of reporting date, the parties are acting to appoint an arbitrator.

On 20 June 2024, the Egged Partnership entered into an agreement for a banking credit facility of up to ILS 1 billion for financing the acquisition of the shares associated with the exercise. The amount of the facility was determined assuming that the option will be exercised in full and be adjusted to the actual option exercise rate, but may not exceed 55.55% of the consideration for acquisition of the shares associated with the exercise. According to the exercise rate as stated above, the amount of the credit facility available for use by the Egged Partnership for financing the acquisition of the shares associated with the first exercise is approx. ILS 450 million, and the remaining capital for making the acquisition will come from the Egged Partnership's own capital (which is held approx. 81% by the Company and approx. 19% by the School and Preschool Teachers Fund). See Note 6.E below for further details regarding the credit facility. The Company's available capital, its unused credit facilities, and its debt-raising capabilities, as well as School and Preschool Teachers Fund's share in the capital required for the Egged Partnership, will be used to pay for the shares acquired in the context of exercise of the option, and the Company does not expect to be required to raise capital in order to fund the payment of the consideration in respect of the option.

C. Impact of the Swords of Iron War

The Swords of Iron War in Israel began on 7 October 2023. To the best of the Company's knowledge, until the date of issuing this report, operations of entities held by the Company have mostly continued as usual and have not been materially affected by the military campaign. See Note 1.C to the Company's financial statements as of 31 December 2023.

Note 1 – General (Cont.)

Additionally, in 2024, S&P, Moody's and Fitch announced the downgrading of Israel's credit rating. Moody's downgraded the credit rating from A1 to Baa1 with a negative outlook, S&P downgraded Israel's credit rating from AA- to A, and Fitch also downgraded Israel's credit rating from A+ to A- with a negative outlook. Because of the uncertainty as to the development, extent, continuation and effects of the war as of the report release date, the Company's management is unable to assess the future impact of the war on the results of operations, financial position, cash flows and financial soundness of the Company and the entities held by it as a result of the war.

D. Impact Inflation and Interest Rates

In the reporting period, the Consumer Price Index (CPI) increased by 3.5% compared to an increase of 3.2% year-on-year. The Bank of Israel interest rate has not changed, at 4.5% since January 2024. See Note 1.D to the Company's financial statements as of 31 December 2023 for the impact of inflation and the interest rate on the Company's operations.

E. In These Financial Statements:

The Company	Keystone Infra Ltd.
Interested Party	Within the meaning thereof in paragraph 1 of the definition of Interested Party in a Corporation in Section 1 of the Securities Law, 5728-1968.
Related Parties	As defined in IAS 24.
The MC	N. K. Keystone Ltd.
Investments in Investees	Investments in investees are measured at fair value through profit or loss in accordance with IFRS 10.

Note 2 – Basis of Presentation of the Condensed Financial Statements:

A. The Interim Financial information is Reviewed and Unaudited

The Company's condensed financial information as of 30 September 2024 and the nine- and three-month periods then ended (the "**Interim Financial Information**") was prepared in accordance with International Accounting Standard No. 34 – "Interim Financial Reporting" ("**IAS 34**"), and includes the additional disclosure required in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. The Interim Financial Information does not include all the information and disclosures required in the context of annual financial statements. The Interim Financial Information should be read in conjunction with the annual financial statements for 2023 and the accompanying notes thereto, which comply with the International Financial Reporting Standards, which are standards and interpretations released by the International Accounting Standards Board (IASB) ("**IFRS**") and include the additional disclosure required in accordance with the Securities Regulations (Annual Financial Statements), 5770-2010.

B. Estimates

The preparation of interim financial statements requires the Company's management to exercise judgment and also requires the use of assumptions and accounting estimates, which affect the implementation of the Company's accounting policies and the amounts of the reported assets, liabilities, revenue and expenses. Actual results may differ from such estimates.

In the preparation of these interim financial statements, the significant judgments exercised by the management in the implementation of the Company's accounting policies and the uncertainty entailed by the key sources of the estimates were identical to the ones in the Company's annual financial statements for 2023.

Note 3 – Significant Accounting Policies:

The significant accounting policies and calculation methods applied in the preparation of the interim financial information are consistent with those used in the preparation of the Company's annual financial statements for 2023.

1. **Amendments to existing standards that came into effect and are binding starting from 2024:**

   a. Amendment to International Accounting Standard 1 – "Presentation of Financial Statements" in the matter of "Classification of Liabilities as Current or Non-Current Liabilities" and "Non-Current Liabilities with Financial Covenants" (in this section: the "**Amendments to IAS 1**")

   The Amendments to IAS 1 clarify the guidelines regarding the classification of liabilities as current or non-current in the statement of financial position. The amendments clarify, *inter alia*, as follows:

   1. A liability will be classified as a non-current liability if the entity has a substantive right, at the end of the reporting period, to defer settlement of the liability for at least 12 months after the end of the reporting period.

   2. The right to defer the settlement of a liability in respect of a loan agreement for at least 12 months after the end of the reporting period is at times subject to the entity's compliance with terms and conditions stipulated in the loan agreement ("**Financial Covenants**"). The classification of a liability in respect of such loan agreement as a current liability or a non-current liability will be determined only on the basis of the Financial Covenants with which the entity is required to comply on or before the end of the reporting period. Financial Covenants which the entity is required to meet after the end of the reporting period will not be taken into account in such determination.

   3. Where a liability in respect of a loan agreement with respect to which the entity is required to comply with Financial Covenants during the 12 months after the end of the reporting period is classified as a non-current liability, a disclosure will be made in the notes to allow users of the financial statements to understand the risk of the liability possibly becoming payable during the 12 months after the end of the reporting period. Among other things, disclosure will be made regarding the nature of the conditions with which the entity is required to comply, the date of examination thereof, the book value of the related liabilities, and facts and circumstances that indicate that the entity may find it difficult to satisfy such conditions. Such disclosure may refer to certain actions taken by the entity in order to prevent a potential breach of the conditions as well as the fact that the entity is not complying with the conditions based on the circumstances existing at the end of the reporting period.

   4. The entity's intention regarding the exercise of an existing right to defer the settlement of the liability for at least 12 months after the end of the reporting period is irrelevant for the purpose of classification of the liability.

   5. Settlement of a liability may be done by way of transfer of cash, other economic resources or equity instruments of the entity. Classification of a liability as a current liability or as a non-current liability will not be affected by an existing right of the other party to demand the settlement of the liability by the transfer of equity instruments of the entity, if such right has been classified by the entity as part of the equity.

Note 3 – Significant Accounting Policies (Cont.)

In accordance with the provisions of the Amendments to IAS 1, the Company applied the amendments retrospectively commencing on 1 January 2024. Initial application of the Amendments to IAS 1 had no material effect on the Company's financial statements.

2. New standards and amendments to existing standards that have not yet taken effect and with respect to which the Company has not chosen early application

In the Company's annual financial statements for 2023, information was provided regarding amendments to existing IFRS standards that have not yet taken binding effect and with respect to which the Company has not chosen early application.

As of the date of approval of these financial statements, there are no new standards or amendments to existing standards that were not presented in the Company's annual financial statements for 2023, with the exception of IFRS 18 Presentation and Disclosure in Financial Statements ("**IFRS 18**").

IFRS 18 replaces International Accounting Standard 1 Presentation of Financial Statements ("**IAS 1**"), where many requirements of IAS 1 have been transferred to IFRS 18, and to several other standards (without change or with certain changes). IFRS 18 is designed to improve the way information is transferred by companies to investors through their financial statements, and specifically to increase transparency and comparability between companies, focusing on information about financial performance in the statement of profit or loss. In addition, IFRS 18 is accompanied by amendments to International Accounting Standard 7 Statement of Cash Flows (IAS 7) (the most significant of which is regarding the classification of cash flows from interest and dividends), International Accounting Standard 33 Earnings per Share ("IAS 33"), and International Accounting Standard 34 Financial Reporting for Interim Periods (IAS 34).

The new key principles under IFRS 18 address the following:

a. <u>Income statement structure</u>

In accordance with IFRS 18, items in the statement of profit or loss will be classified into one of 5 categories: operational, investment, financing, taxes on income and discontinued operations. IFRS 18 provides general guidelines for classification of the items among these categories.

Following is additional information with respect to the three main categories:

1. <u>Operational</u> – this category was not defined by IFRS 18, and is a "residual" category for income and expenses that were not classified into one of the other two categories. Generally, the category will include the company's results from its main business operations.

2. <u>Investment</u> – this category will include: a share in the results of companies accounted for at equity and joint transactions; income and expenses from cash and cash equivalents; income and expenses from assets that generate yield on their own and to a large extent independent of other resources.

3. <u>Financing</u> – this category will include: Revenue and expenses from liabilities that involve raising financing only (such as loans from banks); interest expenses and the effects of interest rate changes from other liabilities (for example, for an actuarial liability for employees).

Note 3 – Significant Accounting Policies (Cont.)

In addition, according to IFRS 18, companies will be required to present two new sub-summaries in the statement of profit or loss:

1. Operating income.
2. Profit before financing and taxes on income.

b. Disclosure in the financial statements about "Management-defined performance measures" (MPMs)

Many companies report on alternative performance indicators or on indicators that are not based on accounting standards (non-GAAP) as part of their various reports to the public. When these indicators meet the definition of "MPMs", IFRS 18 requires companies to disclose such indicators in the notes to the financial statements, along with a requirement to present a match between the indicator and other data in the financial statements.

MPMs are sub-summaries of revenue and expenses that are released to the public in order to convey the management's perception of the financial performance of the company as a whole.

c. Principles for grouping together and splitting information in statements or notes

IFRS 18 establishes requirements that will help companies determine whether information about items should be provided in the main financial statements (statement of financial position, statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows) or in the notes, and provides principles for determining the required level of detail. In addition, IFRS 18 includes requirements for presentation of operating expenses in the statement of profit or loss, disclosure of certain expenses by substance, and additional information on items grouped together in the "other" item.

In the initial application year, IFRS 18 requires presenting a match between the method of presentation of the comparison numbers had IAS 1 been applied, and the method of presentation in the same year according to IFRS 18.

In accordance with the provisions of IFRS 18, the standard will be implemented by the Company, regarding annual reporting periods beginning on 1 January 2027, retrospectively. The Company has begun to examine the impact of the implementation of IFRS 18 on the financial statements, but at this stage the impact of the first-time adoption cannot yet be reasonably estimated.

Note 4 – Investments in Investees and Loans:

A. Composition of Investments in Companies:

Company name	Comment	Balance as of 30 September 2024				
		Original investment amount	Aggregate investment proceeds	Fair value	Fair value level	Holding rate
		ILS in Thousands				
Egged Partnership	2	1,053,693	18,125	1,360,957	Level 3	48.6%
Drive Group (formerly the Operator companies)	1	69,247	54,799	95,170	Level 3	21.3%
Eranovum	5	101,773	-	246,975	Level 3	49%
Ashkelon Desalination Plant	1	218,660	122,500	145,953	Level 3	50%
IPM Be'er Tuvia Power Plant	2	585,582	198,218	385,190	Level 3	32.1%
G.P. Global	3	22,309	-	35,013	Level 1	10.6%
Ramat Hovav Power Plant	4	174,641	193,422	382,929	Level 3	16.3%
Hagit Power Plant	4	107,596	95,399	125,348	Level 3	16.33%
Sunflower Sustainable Investments	3	179,165	-	107,752	Level 1	53.24%
Cinturion	6	17,473	-	17,473	Level 3	30%
Total investments in investees and loans		**2,530,139**	**682,463**	**2,902,760**		

(*) The Company holding 81.1% of the Egged Partnership, which in turn is holding 60% of Egged.

1) As of 30 September 2024, the fair value of the investments was updated for the period from the latest valuation – as of 31 December 2023, which was carried out by external valuers – until the date of the financial statements. The method used for the update is the projected return on investment for the owners using a rate that was originally determined in the external valuation), net of dividends, loan repayments and interest received in the period.
2) As of 30 September 2024, the fair value of investments was updated for the period from the date of the latest valuations as of 30 June 2024, which were carried out by external valuers, until the date of the financial statements. The method used for the update is the projected return on investment for the owners using a rate that was originally determined in the external valuation), net of dividends, loan repayments and interest received in the period.
3) The fair value of the investment was determined according to the share price quoted on TASE.
4) The fair value of the investment is according to the valuation carried out as of 30 September 2024 by external valuers, see Sections C2, C4 - C5 below.
5) The fair value of the investment is according to the external valuation carried out as of 30 June 2024.
6) The fair value of the investment was determined according to the consideration paid on the date of the closing of the transaction, whereas the management estimates that no material change had occurred in the fair value since such date.

Note 4 – Investments in Investees and Loans (Cont.)

Company name	Original investment amount	Aggregate investment proceeds	Fair value	Fair value level	Holding rate
	Balance as of 30 September 2023				
	ILS in Thousands				
Egged Partnership	1,053,693	-	1,251,666	Level 3	48.6% (*)
Drive Group (formerly the Operator companies)	69,247	37,850	88,843	Level 3	21.33%
Eranovum	65,266	-	184,515	Level 3	39.10%
Ashkelon Desalination Plant	218,660	91,000	169,860	Level 3	50.00%
IPM Be'er Tuvia Power Plant	583,314	170,396	455,858	Level 3	32.08%
G.P. Global	22,309	-	27,762	Level 1	10.59%
Ramat Hovav Power Plant	174,641	125,999	350,018	Level 3	-
Hagit Power Plant	107,596	41,451	99,452	Level 3	-
Sunflower Sustainable Investments	169,097	-	103,406	Level 1	50.15%
Cinturion	17,473	-	17,473	Level 3	30.00%
Total investments in investees and loans	**2,481,296**	**466,696**	**2,748,853**		

(*) The Company is holding 81.1% of the Egged Partnership, which in turn is holding 60% of Egged.

Company name	Original investment amount	Aggregate investment proceeds	Fair value	Fair value level	Holding rate
	Balance as of 31 December 2023				
	ILS in Thousands				
Egged Partnership	1,053,693	-	1,290,504	Level 3	48.6% (*)
Drive Group (formerly the Operator companies)	69,247	38,044	104,200	Level 3	21.3%
Eranovum	77,365	-	203,047	Level 3	42.8%
Ashkelon Desalination Plant	218,660	91,000	168,000	Level 3	50%
IPM Be'er Tuvia Power Plant	585,582	188,772	437,657	Level 3	32.1%
G.P. Global	22,309	-	28,941	Level 1	10.6%
Ramat Hovav Power Plant	174,641	148,038	444,179	Level 3	-
Hagit Power Plant	107,596	41,450	190,391	Level 3	-
Sunflower Sustainable Investments	172,573	-	122,348	Level 1	51.85%
Cinturion	17,473	-	17,473	Level 3	30%
Total investments in investees and loans	**2,499,139**	**507,304**	**3,006,740**		

(*) The Company is holding 81.1% of the Egged Partnership, which in turn is holding 60% of Egged.

Note 4 – Investments in Investees and Loans (Cont.)

B. Composition of Revenue from the Investments in Companies:

	9 months ended 30 September 2024		
Company name	Net change in value of the investments measured at fair value net of revenue from dividend, interest and loan proceeds	Revenue from dividend, interest and loan proceeds	Total
	ILS in Thousands		
Egged Partnership	70,453	18,125	88,578
Drive Group (formerly the Operator companies)	(9,030)	16,755	7,725
Eranovum	19,520	-	19,520
Ashkelon Desalination Plant	(22,047)	31,500	9,453
IPM Be'er Tuvia Power Plant	(52,467)	9,446	(43,021)
G.P. Global	6,072	-	6,072
Ramat Hovav Power Plant	(61,250)	45,384	(15,866)
Hagit Power Plant	(65,043)	53,949	(11,094)
Sunflower Sustainable Investments	(21,188)	-	(21,188)
Total	(134,980)	175,159	40,179

	9 months ended 30 September 2023		
Company name	Net change in value of the investments measured at fair value net of revenue from dividend, interest and loan proceeds	Revenue from dividend, interest and loan proceeds (*)	Total
	ILS in Thousands		
Egged Partnership	168,267	-	168,267
Drive Group (formerly the Operator companies)	(5,157)	12,400	7,243
Eranovum	119,249	-	119,249
Ashkelon Desalination Plant	(19,640)	30,500	10,860
IPM Be'er Tuvia Power Plant	(51,737)	81,774	30,037
G.P. Global	(5,771)	-	(5,771)
Ramat Hovav Power Plant	(19,118)	45,864	26,746
Hagit Power Plant	(32,461)	41,451	8,990
Sunflower Sustainable Investments	13,092	-	13,092
Total	166,724	211,989	378,713

(*) Reclassified

Note 4 – Investments in Investees and Loans (Cont.)

Company name	3 months ended 30 September 2024 Net change in value of the investments measured at fair value net of revenue from dividend, interest and loan proceeds	Revenue from dividend, interest and loan proceeds	Total
	ILS in Thousands		
Egged Partnership	40,957	-	40,957
Drive Group (formerly the Operator companies)	2,283	227	2,510
Eranovum	-	-	-
Ashkelon Desalination Plant	(14,876)	18,000	3,124
IPM Be'er Tuvia Power Plant	(286)	9,446	9,160
G.P. Global	-	-	-
Ramat Hovav Power Plant	(36,313)	-	(36,313)
Hagit Power Plant	(19,738)	-	(19,738)
Sunflower Sustainable Investments	(8,009)	-	(8,009)
Total	**(35,982)**	**27,673**	**(8,309)**

Company name	3 months ended 30 September 2023 Net change in value of the investments measured at fair value net of revenue from dividend, interest and loan proceeds	Revenue from dividend, interest and loan proceeds (*)	Total
	ILS in Thousands		
Egged Partnership	37,665	-	37,665
Drive Group (formerly the Operator companies)	2,148	228	2,376
Eranovum	5,512	-	5,512
Ashkelon Desalination Plant	(8,432)	12,000	3,568
IPM Be'er Tuvia Power Plant	9,175	-	9,175
G.P. Global	(5,299)	-	(5,299)
Ramat Hovav Power Plant	(15,135)	24,091	8,956
Hagit Power Plant	2,449	-	2,449
Sunflower Sustainable Investments	12,342	-	12,342
Total	**40,425**	**36,319**	**76,744**

(*) Reclassified

Note 4 – Investments in Investees and (Cont.)

	Year ended 31 December 2023		
Company name	**Net change in value of the investments measured at fair value net of revenue from dividend, interest and loan proceeds**	**Revenue from dividend, interest and loan proceeds (*)**	**Total**
	ILS in Thousands		
Egged Partnership	207,106	-	207,106
Drive Group (formerly the Operator companies)	10,200	12,594	22,794
Eranovum	125,682	-	125,682
Ashkelon Desalination Plant	(21,500)	30,500	9,000
IPM Be'er Tuvia Power Plant	(72,206)	100,150	27,944
G.P. Global	(4,592)	-	(4,592)
Ramat Hovav Power Plant	75,042	67,903	142,945
Hagit Power Plant	58,477	41,450	99,927
Sunflower Sustainable Investments	28,558	-	28,558
Total	**406,767**	**252,597**	**659,364**

(*)Reclassified

C. Additional Information on the Investments Since 31 December 2023

1) Investment in Egged Partnership

1. On 28 March 2024, a court approved a motion filed by Egged for the performance of a distribution that does not meet the profit test but does meet the solvency test, pursuant to Section 303 of the Companies Law, 5759-1999, in the amount of ILS 350 million. The Egged Partnership's share in the distribution is approx. ILS 210 million, and the distribution funds were used for repayment of the variable component of the loan in the Egged Partnership.

2. On 8 April 2024, the Company reported that Egged had received payment demands in a best-of-judgment income tax assessments for the tax years 2018-2021, in which the assessing officer determined that a certain rate of the expenses incurred by Egged in respect of a liability for a payment to the State by virtue of a 2018 agreement between it and the State is not deductible expense for tax purposes. According to the demands, the tax amount that Egged will be required to pay is approx. ILS 98 million. Egged disputes the Tax Authority's position and believes, according to the position of its professional advisors, that it has very solid claims against the assessments. Egged intends to file administrative objections to the assessments, and it is the position of its professional advisors that the prospects of the administrative objections are very high.

3. On 20 June 2024, the Egged Partnership entered into an agreement for a credit facility in the amount of up to ILS 1 billion with banking entities for purposes of financing the acquisition of the shares associated with the exercise. See Note 6.E below for further details on the credit facility.

Note 4 – Investments in Investees and Loans (Cont.)

4. See Note 1.B above for information about notices delivered to the Egged Partnership on the exercise of the put option for an aggregate of approx. 18% of Egged's issued capital.
5. See Note 6.G.6 below for information about a claim and a motion to certify a class action filed against Egged and against the Egged Members' Retirement Fund.
6. As of 30 June 2024, the fair value of the investment in the Egged Partnership was estimated using a valuation performed by an independent external valuer from BDO Consulting Group, with recognized professional qualifications and extensive experience in the infrastructure sector. The valuation was conducted using the asset-value method, which is based on the valuation of Egged according to the Discounted Cash Flow (DCF) method, net of a debt from Egged and the Egged Partnership. The valuation that was attached to the financial statements as of 30 June 2024 was based on the forecasts provided by the Company's management and Egged's management regarding projected revenue, expenses, investments, the number of kilometers traveled, rate of departing from public transport clusters, and winning tenders. The period that was used for the purpose of the valuation is primarily based on the operational agreement with the State, according to the license periods and/or agreements in the various activities, assuming a gradual departure from clusters and winning future tenders. After 2035, a representative year of operation was assumed, from which the terminal value was derived. The discount rates used to measure the fair value of the various activities (WACC) are as follows: Egged (Standalone) – 9% and 10.75% for a representative year, Egged Heseim – 13%, EBS – 6.75% and 8.5% for a representative year, and Mobilis – 11.25% and 14.25% for a representative year. (In the previous valuation, as of 30 June 2023, Egged (Standalone) – 8.25% and 9.75% for a representative year, Egged Heseim – 12.25%, EBS – 7% and 8.5% for a representative year, and Mobilis – 12% and 14.5% for a representative year). In the third quarter, the fair value of the investment was updated to reflect the projected return on investment for the owners (as determined in the valuation as of 30 June 2024), net of dividends received in the period.

2) Investment in Eranovum

1. In January 2024, the Company exercised the remainder of the option and invest in Eranovum approx. €6 million, such that the equity interest increased to approx. 49% of Eranovum's shares.
2. Following the financial position of Eranovum, in the reporting period, the Company provided Eranovum with loans totaling €6 million. The loans bear 12.5% interest and are used by Eranovum for the continued development and installation of charging stations. The loans are due to mature by 31 March 2025.
3. The fair value of this investment is determined based on an external valuation that was carried out as of 30 June 2024, as specified below. Eranovum is a company in the market penetration phase and has not yet achieved profitability, and therefore, management believes that its fair value should not be updated using the projected return on investment for the owners, but instead reviewed each reporting period. The Company examines as of each reporting period the need to update the value according to the development in the business activity of Eranovum.

Note 4 – Investments in Investees and Loans (Cont.)

In the reporting period, a net positive change in fair value of approx. ILS 19,520 thousand was measured, according to an external valuation as of 30 June 2024. The fair value of the investment in Eranovum was estimated using a valuation performed by an independent external valuer from BDO Consulting Group, with recognized professional qualifications and extensive experience in the infrastructure sector. The valuation was conducted using the Discounted Cash Flow (DCF) method. The valuation was based on a multi-year forecast provided by Eranovum's management up to 2034, after which a representative year was assumed, from which the terminal value was derived. The discount rate used to measure the fair value of the investment is 17.5% (previous valuation as of 30 September 2023 - 18.75%).

3) Investment in the IPM Be'er Tuvia Power Plant

1. On 15 February 2024, scheduled heavy maintenance began at the power plant. The maintenance was completed on 5 May 2024, around 37 days behind schedule. The power plant is not entitled to availability payments over the maintenance period and the event was reflected in the Company's valuation as specified in Section 2 below.

2. As of 30 June 2024, the fair value of the Company's investment in IPM was estimated using a valuation performed by an independent external valuer from S.C.A Economic Advisory Ltd., with recognized professional qualifications and extensive experience in the infrastructure sector. The valuation was conducted using the Discounted Cash Flow (DCF) method.

   The valuation that was attached to the financial statements as of 30 June 2024 was based on the forecasts provided by the Company's management and IPM of the projected revenue, expenses, and investments. The operation period that was used for the valuation is 20 years, according to the power plant's license period, with the assumption that at the end of the term of the project, the plant will be left with a scrap value. The cost of equity (Re) used for the valuation is 10.2% (previous valuation as of 31 December 2023 – 9.2%).

   The fair value of the loan to Global and A.Y.A. Paris as of 30 June 2024 was assessed using the DCF method with a normative discount factor, according to the loan's implied rating, according to the conditions of the loan on the date of the valuation. The discount factor used for the valuation is 7.6% (previous valuation as of 31 December 2023 – 7.3%). In the third quarter, the fair value of the investment and the loan was updated to reflect the projected return on investment for the owners (as determined in the valuation as of 30 June 2024), net of dividends, loan repayments and interest received in the period.

4) Ramat Hovav power plant

1. **Conversion of a convertible loan at Ramat Hovav -** In March 2024, conversion was completed of a convertible loan that had been provided by the Company in connection with the Ramat Hovav Power Plant into 32.665% of the equity interests in the interim partnership, which holds 50% of the Ramat Hovav Power Plant, constituting (indirectly) approx. 16.33% of the plant. The conversion of the loan had no impact on the fair value of the investment.

Note 4 – Investments in Investees and Loans (Cont.)

2. **Draft resolution for public comments issued by the Electricity Authority and a proposed initiative of the System Operator –** On 27 August 2024, the System Operator released an expert report with recommendations for making corrections in the methodology for calculating the System marginal Price (SMP), and on 4 September 2024, the Electricity Authority released a draft resolution for public comments on a proposed mechanism for setting supplementary rates applicable to electric power companies connected to, or integrated into the transmission network, and are covered by Articles C1 and E1 of the Criteria. In the draft resolution, the Authority is seeking to set a cap on the supplementary rate that power plants can charge when the SMP does not cover all of their costs. According to recommendations in the expert report, after correcting the methodology, SMP is expected to increase, while payments for the supplementary rates is expected to decrease.

   In response to the release of those initiatives, the Ramat Hovav and Hagit partnerships carried out preliminary assessments of possible impact in the event that the Electricity Authority resolution and the System Operator initiative (hereinafter together: the "Regulatory Initiatives") are approved and become mandatory.

   The Ramat Hovav and Hagit partnerships, with the assistance of economic and legal advisors, have recently filed their response to the Electricity Authority's draft resolution for public comments. In their response, the partnerships pointed to a series of economic and legal shortcomings in the Regulatory Initiatives, including regarding their underlying methodology. It was claimed, among other arguments, that it would not be appropriate to adopt the proposed resolution before revising the methodology for calculating the SMP, and that any cap imposed must allow for recouping the full capital investment and fixed costs not covered by the availability rate, as well as fully cover all variable costs associated with power generation. The partnerships are also diligently working on a response to the System Operator's initiative, and intend to exhaust all options available to them.

   The Ramat Hovav and Hagit partnerships believe that capping the supplementary rate, as contemplated in the Electricity Authority's draft regulation and the update of the market price contemplated in the System Operator's initiative will not be approved in the versions released, and are expected to be modified (including dropping or revising the retroactive applicability provision).

   Therefore, the partnerships believe that the cumulative effect of the Regulatory Initiatives on the partnerships and their results of operations will ultimately be mitigated.

   If the Regulatory Initiatives are approved with no modification to the proposed versions, the assessments and estimates made by the managements of the partnerships lead to a conclusion that the estimated average annual revenue of the power plants will be adversely affected. The projected decrease in revenue is expected to correspondingly reduce the expected free cash flow of the Ramat Hovav and Hagit partnerships before and after debt servicing, the debt service coverage ratios as calculated according to financing agreements of each of the power plants, and the amounts that the Ramat Hovav and Hagit partnerships will pay their owners (including, indirectly, to the Company), compared to the actual related figures recorded to date over the period in which the power plants have been operational. In addition, if the Electricity Authority's draft resolution is eventually approved without any

Note 4 – Investments in Investees and Loans (Cont.)

revisions, this will adversely affect the ability of the partnership holding the Hagit East power plant to comply with the financial covenants under its financing agreement.

3. As of 30 September 2024, following the release of the Electricity Authority’s draft resolution and the System Operator’s initiative, the fair value of the Company's interests in the Ramat Hovav power plant and of the non-convertible loan it provided was estimated by an independent external valuer from BDO Consulting Group with recognized professional qualifications and extensive experience in the infrastructure sector. The valuation of the component related to rights to the plant was performed using the Free Cash Flow to Equity (FCFE) method. The valuation was based on revenue forecasted by management, assuming that the Electricity Authority’s draft resolution and the System Operator’s initiative will eventually be approved with amendments, allowing to recover all variable costs associated with power generation, including a netting coefficient on gas according to unit utilization, and including expected expenses and investments. The operational period used for the valuation is between 15 and 20 years, according to the license periods of various power plant units, assuming that they will have some scrap value at the end of their useful lives. The cost of equity (Ke) used for the valuation is 11.25% (previous valuation as of 31 December 2023 – 9.75%).

   The value of the non-convertible loan was estimated using the DCF method with a normative discount rate, according to the loan's implied rating, and the terms and conditions of the loan on the date it was received. The discount rate used in the valuation is 8.05% (the previous valuation as of 31 December 2023 – 8.35%).

   The valuation is attached to the Company’s financial statements as of 30 September 2024, presenting a net negative change in fair value of ILS 15,866 thousand in the reported period, with ILS 61,250 thousand coming from a negative change in fair value according to the valuation, net of ILS 45,384 thousand dividend revenue, interest and loan proceeds. The reduced value mainly comes from anet decrease in revenue following the release of the Electricity Authority’s draft resolution and the System Operator’s proposed decision, significant distributions in the reporting period and an increase in the discount rate. The lower value was offset by better-than-anticipated results of power plants in the reporting period.

   A 0.5% increase in the discount rate (Ke) would have reduced the value of the investment as of the date of the valuation by approx. ILS 10.5 million, a 0.5% decrease in the discount rate (Ke) would have increased the value of the investment as of the date of the valuation by approx. ILS 11.1 million.

   A 0.5% increase in the discount rate of the non-convertible loan would have reduced the value of the investment as of the date of the valuation by approx. ILS 0.5 million, while a 0.5% decrease in the discount factor would have increased the value of the investment as of the date of the valuation by approx. ILS 0.5 million.

Note 4 – Investments in Investees and Loans (Cont.)

5) Hagit power plant

Conversion of a convertible loan at Hagit East

1. In May 2024, conversion was completed of a convertible loan that had been provided by the Company in connection with the Hagit East Power Plant. The loan was converted into 32.665% of the equity interests in the partnership holding 50% of the Hagit East Power Plant, constituting (indirectly) 16.33% of interest in the plant. The conversion of the loan had no impact on the fair value of the investment.

2. For information about the Electricity Authority's draft regulation and System Operator's initiative – see Section 4 above.

3. As of 30 September 2024, following the release of the Electricity Authority's draft regulations and the System Operator's proposed decision, the fair value of the Company's interests in the Hagit power plant and of the non-convertible loans that it provided was estimated using a valuation performed by an independent external valuer from BDO Consulting Group with recognized professional qualifications and extensive experience in the infrastructure sector. The valuation was based on the revenue forecasted by management, assuming that the Electricity Authority's draft resolution and the System Operator's initiative will eventually be approved with amendments allowing to recover all variable costs associated with power generation, including a netting coefficient on gas according to unit utilization, and including expected expenses and investments. The operational period used for the valuation is between 15 and 20 years, according to the license periods of various power plant units, assuming that they will have some scrap value at the end of their useful lives. The cost of equity (Ke) used for the valuation is 12% (previous valuation as of 31 December 2023 – 11%).

The value of the non-convertible loans was assessed using the DCF method with a normative discount rate, according to the loan's implied rating, and the terms and conditions of the loan on the date it was received. The discount rate used in the valuation is 7.7%-9.2% (previous valuation as of 31 December 2023 – 8%-9.38%).

A net negative change of ILS 11,094 thousand in fair value was recorded in the reported period, with ILS 65,043 thousand coming from a downward adjustment in fair value according to the valuation, net of ILS 53,949 thousand in dividend revenue, interest and loan proceeds. This decrease in fair value mainly comes from a net decrease in revenue following the release of the Electricity Authority's draft resolution and the System Operator's proposed decision, significant distributions in the reporting period and an increase in the discount rate. The lower value was offset by better-than-anticipated results of power plants in the reporting period.

A 0.5% increase in the discount rate (Ke) would have reduced the value of the investment as of the date of the valuation by approx. ILS 2.8 million, while a 0.5% decrease in the discount rate (Ke) would have increased the value of the investment as of the date of the valuation by approx. ILS 2.9 million.

Note 4 – Investments in Investees and Loans (Cont.)

A 0.5% increase in the discount rate for the non-convertible loans would have reduced the value of the investment as of the date of the valuation by approx. ILS 0.6 million, while a 0.5% decrease in the discount rate would have increased the value of the investment as of the date of the valuation by approx. ILS 0.6 million.

6) Investment in Sunflower

1. On 21 January 2024, Sunflower announced that it engaged in a non-binding memorandum of understanding (MOU) with Lahav L.R. Real Estate Ltd. and a subsidiary thereof ("**Lahav Energy**") which is active in renewable green energy and waste, to explore the possibility of Sunflower and Lahav Energy joining forces and to explore a transaction for the acquisition of all of the share capital of Lahav Energy in exchange for the allotment of Sunflower shares to the shareholders of Lahav Energy. On 15 May 2024, the Company updated, based on the information provided to it, that the parties to the said MOU decided to call an end to the negotiations between them without signing a binding agreement.
2. On 28 January 2024, Sunflower closed a transaction for the acquisition of rooftop solar projects in Israel with a total capacity of approx. 13 MW, entered into between a subsidiary and E.D.I. Energy Ltd. and its subsidiaries. As consideration, Sunflower's subsidiary will pay approx. ILS 8 million (most of which will be deemed a shareholder loan of the Company to the subsidiary) and will also allot to the sellers shares of the subsidiary at approx. 25% of the issued and paid-up share capital of the subsidiary.
3. On 12 March 2024, a subsidiary of Sunflower closed a transaction with Mivne Real Estate (K.D) Ltd. for the sale of 101 rooftop photovoltaic facilities with a total capacity of approx. 5 MW, including all rights connected to them, for a consideration of approx. $78 million plus VAT. Upon closing of the transaction, Sunflower recognized a capital gain of approx. ILS 20 million.
4. On 28 March 2024 and 25 April 2024, Sunflower completed a debt refinancing in the project companies in Poland, which increased its liquid resources by approx. ILS 60 million, which are expected to be used by Sunflower for continued development of the projects in the various territories in which it operates.
5. In the reporting period, the Company exercised marketable options of Sunflower in an amount of approx. ILS 6 million and its equity interest in Sunflower increased to 53.24%.
6. On 4 November 2024, Sunflower announced that it engaged in a non-binding memorandum of understanding (MOU) with a third party for the purchase of ready to build (RTB) portfolio of income-producing solar power systems with a total capacity of up to 107 MW in Poland. If and when this transaction is closed, it will double Sunflower's current total installed capacity and triple its portfolio in Poland. As of the date of this report, it is uncertain whether the MOU results in a binding detailed agreement or whether an agreement is signed or the transaction closed.

Note 5 – Transactions with Interested Parties and Related Parties:

A. Transactions with Interested Parties and Related Parties

	9 months ended 30 September		3 months ended 30 September		Year ended 31 December
	2024	2023	2024	2023	2023
	ILS in thousands				
Share-based payment – see Note 6.D	2,794	-	-	-	-
Management fees to the MC (*)	26,066	23,053	9,303	7,995	31,058
Commitment for additional consideration - Sunflower	6,771	6,771	6,771	6,771	6,771
Loan to a Related Party	24,491	-	24,491	-	-

(*) The MC received from Sunflower, a company under its control, an additional amount of ILS 270 thousand in the reporting period and in the same period last year, and ILS 540 thousand in 2023, for the Company CEO's service as Chairman of the Board of Directors at Sunflower.

B. Compensation and Benefits to Interested Parties and Related Parties for Interested Parties Employed by the MC

	9 months ended 30 September		3 months ended 30 September		Year ended 31 December
	2024	2023	2024	2023	2023
	ILS in thousands				
Salary to an interested party employed by the MC	2,880	2,880	960	960	3,840

Note 6 – Events During and After the Reporting Period

A. See Note 4.C above for events in connection with the Company's investments in the reporting period.

B. Working Capital Deficit

As of 30 September 2024, the Company has a working capital deficit of approx. ILS 130 million that derives from commercial paper of the Company in the amount of ILS 187.5 million, which are issued for a year and therefore classified as short-term. Conversely, the Company has unused credit facilities with financial institutions in the amount of ILS 375 million, effective until October 2025. The Company has an ongoing positive cash flow from operating activities which totaled approx. ILS 119 million in the reporting period. As of the date of this report, the Company's leverage ratio is approx. 27%. In light thereof, the Company's Board reviewed the Company's liquidity as detailed below, and determined that such working capital deficit does not indicate a liquidity issue for the Company. Such decision is based, *inter alia*, on an assessment of the Company's financial position, including the Company's liquid asset balance, unused credit facilities and the Company's projected cash flow under various scenarios and sensitivity analyses for the next two years, including preparations for exercising the Egged Partnership option, as well as an assessment of the Company's existing and anticipated liabilities, including the Company's liabilities to its bondholders and to banking corporations and their due dates, and assessment of the existing and projected sources for repayment of such liabilities.

C. Compliance with Financial Covenants

To secure the repayment of credit borrowed by the Company from financial institutions and bonds it issued, the Company is bound by certain financial covenants. As of 30 September 2024, the Company is in compliance with its obligations and with the financial covenants stipulated in the loan agreements and in the deed of trust for its Series A Bonds.

D. Dividend Distribution

1) On 15 January 2024, the Company distributed a dividend of ILS 15 million.
2) On 27 March 2024, the Company's Board confirmed that the Company intended to pay three additional dividend, in July 2024, October 2024 and January 2025, at a rate of approx. 1% of the Company's equity as of the date of approving the financial statements underlying such distribution, with the quarterly amount as of reporting date being approx. ILS 18.5 million and in no event can be lower than the amounts warranted by the dividend distribution policy set forth in the Company's articles of association, which would be examined on an annual basis. It is emphasized that the Company is not committed to carry out distributions in such amounts and at such times as mentioned above, and that the distributions (if and to the extent performed), their timing and their amounts will be approved and carried out only subject to and in accordance with additional Board resolutions that may be adopted in the future, in accordance with the provisions of the law and the Company's articles of association, prior to the actual performance of each and every distribution.
3) On 17 April 2024, the Company distributed a dividend of ILS 18.5 million (the dividend was declared on 27 March 2024).
4) On 18 July 2024, the Company distributed a dividend of ILS 20.5 million (the dividend was declared on 1 July 2024).

Note 6 – Events During and After the Reporting Period (Cont.)

5) On 28 October 2024, the Company distributed a dividend of ILS 20.3 million (the dividend was declared on 30 September 2024).

E. Capital Raising

On 12 February 2024, the Company announced that it had completed a capital raising round by way of public offering of 34,556,200 common shares of the Company and 17,278,100 Series 2 Warrants exercisable into common shares of the Company, with each warrant exercisable into one common share, from the day of listing on TASE to their last date for exercise on 11 February 2026 (inclusive), against a cash payment of the strike price of ILS 6.1 (non-indexed), as specified in a shelf offering report, according to which the said offering was performed. Following the dividend distribution in October 2024, the strike price amounts to ILS 5.74048.

Total issue proceeds amounted to approx. ILS 176 million, of which total proceeds from the controlling shareholders are approx. ILS 78 million.

In accordance with the management agreement between the Company and the MC, whereby in a case where the Company allots shares, it will allot to the MC, for no additional consideration, options that are exercisable into shares of the Company, the Company allotted 1,149,648 non-marketable options to the MC and 578,162 non-marketable options to the employees of the MC.

F. Credit Facility Agreement – Egged Partnership

On 20 June 2024, the Egged Partnership entered into an agreement for a banking credit facility of up to ILS 1 billion for financing the acquisition of shares resulting from exercise of the option granted to Egged shareholders, according to an agreement for the acquisition of Egged shares that was signed between the Egged Partnership and the sellers in June 2022. The amount of the facility was determined assuming that the option will be exercised in full (i.e., the Egged Partnership will acquire 40% of Egged's shares), and will be adjusted to the actual option exercise rate, but may not exceed 55.55% of the consideration for acquisition of the shares associated with the exercise. According to the exercise rate of the options as stated in Note 1B above, the amount of the credit facility available for use by the Egged Partnership for financing the acquisition of the above shares is approx. ILS 450 million. The credit facility will be available to the Egged Partnership until 3 February 2025.

The Egged Partnership may take, out of the said credit facility, three loans:

a. A balloon loan of up to approx. ILS 203 million, bearing variable interest of Prime plus a margin of 1%-1.5% per annum. The principal of this loan will be repaid in a single installment on 30 June 2030, and the interest thereon will be repaid in semiannual installments.
b. Two current loans in the aggregate amount of up to ILS 247 million, bearing, at the Egged Partnership's choice: (1) fixed, linked or unlinked interest on underlying governmental bond plus a margin of 2.5%-3%, or (2) variable interest of prime plus a margin of 1%-1.5%. The current loans will be repaid (principal and interest) in semiannual installments until December 2029.

The agreement prescribes financial covenants (DSCR and debt-to-EBITDA ratios), grounds for acceleration, commitments and restrictions, similar to the provisions in the loan provided to the Egged Partnership in the agreement for the current financing used for the acquisition of 60% of Egged's shares (the "**Current Financing Agreement**").

Note 6 – Events During and After the Reporting Period (Cont.)

The payment schedule for the current loans will be determined shortly before the date of drawdown of the loans from the credit facility and will be adapted to the payment schedule of the loans by virtue of the Current Financing Agreement. The loans include cash sweep mechanisms, similarly to the Current Financing Agreement. A cash sweep mechanism has been added for the balloon loan up to the amount of ILS 100 million (principal).

To secure repayment of the loans and the Egged Partnership's other liabilities towards the lenders, the following collateral, *inter alia*, will be provided: a first-degree, unlimited pledge on the shares associated with the exercise, of the Egged Partnership's rights, under the agreement for the acquisition of Egged shares, in connection with those shares, and of the Egged Partnership's rights in the bank account to which the loans will be transferred; and letters of undertaking and subordination from the limited partners of the acquiring partnership. In addition, the Egged Partnership undertook to perform a valuation of Egged once a year, and insofar as there is a significant adverse change in its value relative to 30 June 2023, a partial remediation of the disparity will be performed by the provision of financial collateral or a partial repayment of loans provided under the facility.

G. Notices of Exercise of Put Options for Egged Shares

See Note 1.B above for notices of exercise of the put option.

H. The Electricity Authority's Draft Resolution and the Proposed Decision of the System Operator

See Notes 4C, 5, 6 and 9 above for information about the Electricity Authority's draft resolution for public comments and the proposed decision of the System Operator, and the revaluation of the investments in Ramat Hovav and Hagit carried out by the Company following the release of those proposed regulations.

I. Debt Raising

On 13 November 2024, the Company announced that it was exploring the possibility of issuing a new series of bonds (Series B) through a uniform public offering. Standard & Poor's Maalot announced a rating of ilA+ for the Series B bonds and reaffirmed the Company's ilA rating with a stable outlook.

J. Litigation

1. On 13 November 2024, the Company became aware that a claim and a motion to certify it as a class action had been filed with the Tel Aviv-Jaffa District Court (Economic Department) against it, the MC, the MC's controlling shareholders and officers and directors of the Company, in which various claims were raised in connection with a public offering of the Company's shares in February 2024. The lawsuit claims that the Company practiced minority oppression, and breached the fiduciary duty and duty of care of corporate officers. The lawsuit has claims in connection with the management agreement entered into between the Company and the MC, which is claimed to constitute an agreement for distribution of an unlawful dividend. The remedies sought are recovering the amounts paid, as well as any profits that have allegedly been derived therefrom by the controlling shareholders. In respect of the said offering, the petitioner estimated the alleged damage caused to members of the class to be between ILS 14 million and ILS 150 million according to one calculation method, and approx. ILS 65 million according to another calculation method.

Note 6 – Events During and After the Reporting Period (Cont.)

The Company is studying the said claim and motion, and will file a detailed response on its behalf pursuant to the provisions of the law.

2. Further to a petition for discovery and inspection of documents under Section 198A of the Companies Law, by a shareholder of the Company against the Company and the MC, prior to the filing of submission of a motion to certify a derivative suit for the petitioner's claim that the MC, a controlling shareholder and officer of the Company, as well as the controlling shareholders of the MC, have a personal interest both in the Company's capital raising and debt financing and in investment transactions made by the Company, which is based on the management agreement entered between the Company and the MC, as specified in Note 12.C.2 to the Company's annual financial statements – on 21 April 2024, the respondents filed their reply to the petition. In their reply, the respondents argued, *inter alia*, that the MC has no personal interest in the approval of investments, including the IPM and Egged investment transactions. The Court ordered the petitioner to file a response to the reply to the petition by 2 June 2024. A pretrial hearing on the petition will be held on 3 February 2025. Given the preliminary stage of the proceedings, the prospects thereof cannot be estimated at this point.

3. Further to a suit and a motion to certify it as a derivative suit filed by a shareholder of the Company against the Company, the MC, the controlling shareholders of the MC and officers and directors of the Company, raising various claims in connection with the approval of the transaction for acquisition of the Sunflower shares by the Company, as specified in Note 12.C.1 to the Company's annual financial statements – an evidence hearing was held on 1 April 2023 and dates for the filing of the parties' closing arguments have been scheduled, ending on 16 January 2025. Given the preliminary stage of the proceedings, the prospects of the motion to certify and of the suit and the exposure in their respect cannot be estimated at this point.

4. Further to a declaratory suit brought by G. P. Global Power Ltd. ("**Global**") with the Tel Aviv-Jaffa District Court (Economic Department) against Alon Blue Square Israel Ltd. and CR Eco Holdings Ltd. and against the Company, as specified in Note 12.C.3 to the Company's annual financial statements and the motion to approve a derivative suit, pursuant to Section 198 of the Companies Law, 5759-1999, against Global and the Company by Blue Square and CR Eco, as detailed in Note 12.C.4 to the Company's annual financial statements, on 1 May 2024, the Court accepted, *inter alia*, the Company's position and ruled that the motion to approve a derivative suit be stayed until the proceeding at hand is decided. Given the preliminary stage of the proceedings, the prospects thereof cannot be estimated at this point.

5. Further to a motion for approval of a derivative suit under Section 198 of the Companies Law, 5759-1999 by Blue Square and CR Eco against Global and the Company (as specified in Note 12.C.4 to the Company's annual financial statements and further to Note 6.E.3 above), the Court ruled to stay the motion to certify until the proceeding at bar was decided. Given the preliminary stage of the proceedings, the prospects thereof cannot be estimated at this point.

Note 6 – Events During and After the Reporting Period (Cont.)

6. Further to the declaratory claim and a motion for provisional remedies filed by Alma Infrastructure (KD) Ltd. ("**Alma**") with the Tel Aviv-Jaffa District Court (Economic Department) against Triple-M Power Plants Ltd. ("**Triple**"), I.P.M. Holdings Ltd. ("**IPMH**"), the Company and Alon Blue Square Israel Ltd. ("Blue Square"); and the declaratory claim and motion for provisional remedies filed by Blue Square with the Tel Aviv-Jaffa District Court (Economic Department) against Triple, the Company and Alma, as specified in Note 12.C.5 to the Company's annual financial statements – following that the parties filed a notice to the Court in April 2024 information that they failed to reach understandings between them that would have rendered moot the hearing on procedural arrangement on the motions for interim remedies, on 16 July 2024 the parties filed a joint motion to approve a procedure for hearing the motions for provisional remedies, according to which the hearing scheduled for 17 July 2024 will be canceled and instead the parties would file their closing arguments in writing. Closing arguments were filed by the parties, and no decision has yet been issued on the motions for provisional remedies. In view of the proceeding's preliminary stage, at this point it is not possible to estimate the prospects of Alma's claim or Blue Square's claim. In this claim, no financial remedies have been sought against the Company.
7. On 1 August 2024, the Company was informed by Egged that a claim and a motion to certify a class action had been filed against Egged and the Egged Members' Retirement Fund with the Haifa District Labor Court by litigants who were Egged members or retirees. The claim concerns a recuperation agreement made between Egged and the State over 35 years ago, in which Egged undertook, *inter alia*, to temporarily cut salaries over a 4-year period. The petitioners assert that the temporary pay cut continued without fair disclosure, unlawfully leaving money in the hands of Egged and the retirement. The financial remedy sought in the claim is in the amount of approx. ILS 785 million. Egged informed the Company that in view of the preliminary stage of the claim, the prospects thereof and the prospects of class action certification thereof cannot be estimated.
8. Further to the claim and the motion for class certification thereof against Egged which was filed by three litigants who were, at one time, members of Egged when it was still a cooperative society, as specified in Note 7.F to the Company's annual financial statements – the Supreme Court rejected, with the parties' consent, that the District Court's summary dismissal without prejudice of the said proceeding, and the proceeding is referred back to the District Court to rehear the motion for summary dismissal on two grounds stated in the judgment.