Keystone Infra Ltd.

Chapter C

Financial Statements

As of 31 December 2024

This report is a translation of Keystone Infra’s Hebrew-language financial statements, prepared solely for convenience purposes. Please note that the Hebrew version is the binding version, and in any event of discrepancy, the Hebrew version will prevail.

Contents

[letterhead of PWC]

Independent Auditors' Report
to the Shareholders of
Keystone Infra Ltd.

We have audited the accompanying statements of financial position of Keystone Infra Ltd. (the "**Company**") as of 31 December 2024 and 2023 and the statements of comprehensive income, of changes in equity, and of cash flows for each of the years in the three-year period ended 31 December 2024. The Company's board of directors (the "**Board**") and management are responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Generally Accepted Auditing Standards in Israel, including standards set in the Accountants Regulations (Mode of Operation of Accountants) 5733-1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board and management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of 31 December 2024 and 2023 and the results of its operations, the changes in its equity and its cash flows for each of the years in the three-year period ended 31 December 2024 in accordance with IFRS Accounting Standards and the provisions of the Securities Regulations (Annual Financial Statements), 5770-2010.

Key Audit Matters
The key audit matters specified below are those communicated or were required to be communicated to the Company's Board and that, in our professional judgment, were of most significance in the audit of the financial statements for the current period. These include, among others, any matter that: (1) relates, or may relate, to material items or disclosures in the financial statements, and (2) our discretion with respect to which was especially challenging, subjective, or complex. These matters were addressed in our audit of and opinion on the financial statements as a whole. The communication of those matters below does not alter in any way our opinion on the financial statements, taken as a whole, and we are not providing a separate opinion on those matters or the items or disclosures they related to.

Fair Value of Investments in Investees
As described in Note 3 to the financial statements, the Company qualifies as an investment entity according to IFRS 10. Consequently, investments in investees are measured at fair value through profit or loss. As of 31 December 2024, the balance of investments in companies presented at fair value through profit or loss amounts to approx. ILS 3,081,673 thousand. When assessing the fair value of investments in investees presented at fair value based on unobservable inputs (Level 3), the management exercises judgment in determining the assumptions and estimates on which the fair value is based. The fair value of these companies is assessed with the assistance of independent valuers, based on valuation techniques that are subjective in nature and incorporate various assumptions such as: future cash flow forecasts, life expectancy of entities, multiples, standard deviations, and discount rates. Additionally, fair value can also be determined based on the price of a transaction performed close to the reporting date, similar transactions, or according to financing rounds in those investments.

We identified the main estimates used as the basis for calculating the fair value of investments in investees based on unobservable inputs (Level 3) as a key audit matter.
Auditing the fair value of investments in investees requires auditor judgment as well as knowledge and experience to examine the reasonableness of the assumptions and data used by management and valuers in determining the fair value estimate.

The audit procedures that we performed in response to the key audit matter

- Obtaining an understanding of the data acquisition process used by the Company in calculating the fair value.
- Reviewing the Company's methodology used for determining the fair value.
- Examining the completeness and accuracy of the data used in the valuations.
- Evaluating the reasonableness of significant assumptions used by the Company’s management in determining the fair value.
- Getting support from an expert economic on our behalf to review the valuations.
- Examining changes in estimates and assumptions underlying the valuation, compared to previous periods.
- Assessing the adequacy of disclosures in the financial statements.

Tel Aviv	KESSELMAN & KESSELMAN
26 March 2025	Certified Public Accountants
	A member firm of PricewaterhouseCoopers International Limited

[Letterhead of PWC)

26 March 2025

To:

The Board of Directors of Keystone Infra Ltd.

4 Ariel Sharon St., Givatayim

Dear Sir/Madam,

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

We hereby notify you that we agree to the inclusion (including by way of reference) of our reports specified below in shelf offering reports in connection with the May 2024 shelf prospectus:

The auditor's report as of 26 March 2025 on the Company's financial statements as of 31 December 2024.

Sincerely,

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

Keystone Infra Ltd. - Statements of Financial Position

	Note	31 December 2024 (audited)	31 December 2023 (audited)
		ILS in thousands	
Assets			
Current assets			
Cash and cash equivalents	5	378,888	80,904
Accounts receivable	6	7,505	5,820
		386,393	86,724
Non-current assets			
Investments in investees and loans	7	3,081,673	3,006,740
Pledged deposit	12B	822	33,000
Accounts receivable	6	25,069	-
		3,107,564	3,039,740
Total Assets		**3,493,957**	**3,126,464**
Liabilities and equity			
Current liabilities			
Commercial papers and short-term loans	8	187,500	187,500
Current maturities of bonds	10	56,542	54,670
Accounts payables	9	25,119	21,882
		269,161	264,052
Non-current liabilities			
Bonds	10	885,508	620,682
Long-term loans	10	-	187,500
Accounts payables	7C9	6,771	6,771
Deferred taxes	11	184,089	189,348
		1,076,368	1,004,301
Total liabilities		1,345,529	1,268,353
Equity	13		
Share capital		1,495,664	1,331,536
Proceeds on account of options		9,036	-
Share-based payment capital reserve		21,341	18,547
Retained earnings		622,387	508,028
		2,148,428	1,858,111
Total Liabilities and Equity		**3,493,957**	**3,126,464**

Date of approval of the financial statements by the Company’s Board: 26 March 2025

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

Keystone Infra Ltd. - Statements of Comprehensive Income

	Note	2024 (audited)	2023 (audited)	2022 (audited)
		The year ended 31 December		
		ILS in thousands		
Revenue	7			
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		43,933	406,767	22,814
Income from dividend, interest and loan proceeds		238,261	252,597	198,308
Total Revenue		**282,194**	**659,364**	**221,122**
Operational expenses				
Management fees	12	34,691	31,058	15,771
Share-based payment expenses	13	2,794	-	6,895
Transaction costs due to acquisition of investees (primarily professional services)		2,257	1,161	8,370
Other operational expenses	16	12,182	6,773	5,776
Total Expenses		**51,924**	**38,992**	**36,812**
Operating income		**230,270**	**620,372**	**184,310**
Financing income	16	6,435	6,276	3,546
Financing expenses	16	(48,605)	(61,173)	(47,671)
Profit before income taxes		**188,100**	**565,475**	**140,185**
Deferred tax expenses (income)	11	(5,259)	121,594	45,446
Total comprehensive income attributable to the Company's shareholders		**193,359**	**443,881**	**94,739**
Basic and diluted earnings per share attributable to the Company's shareholders (in ILS)		**1.1**	**2.9**	**0.8**

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 equity
	ILS in thousands				
Balance as of 1 January 2022	919,172	11,148	11,652	69,408	1,011,380
Issue of equity	401,216	-	-	-	401,216
Share-based payment	-	-	6,895	-	6,895
Income for the year	-	-	-	94,739	94,739
Dividend	-	-	-	(40,000)	(40,000)
Balance as of 31 December 2022	**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	**1,331,536**	**-**	**18,547**	**508,028**	**1,858,111**
Issue of equity	164,128	9,036	-	-	173,164
Share-based payment	-	-	2,794	-	2,794
Income for the year	-	-	-	193,359	193,359
Dividend	-	-	-	(79,000)	(79,000)
Balance as of 31 December 2024	**1,495,664**	**9,036**	**21,341**	**622,387**	**2,148,428**

The accompanying notes are an integral part of the Financial Statements

Keystone Infra Ltd. - Statements of Cash Flows

	The year ended 31 December		
	2024	2023	2022
	(audited)	(audited)	(audited)
	ILS in thousands		
Cash flows from operating activities			
Income for the year	193,359	443,881	94,739
Adjustments required for presenting cash flows from operating activities:			
Adjustments to profit and loss items -			
Depreciation and amortization	-	16	14
Deferred taxes	(5,259)	121,594	45,446
Change in fair value of investments in investees	(43,933)	(406,767)	(22,814)
Income from dividend, interest and loan proceeds	(238,261)	(252,597)	(198,308)
Expenses on share-based payment	2,794	-	6,895
Financing expenses, net	42,170	54,897	44,125
	(242,489)	(482,857)	(124,642)
Changes in the Company's asset and liability items -			
Decrease (increase) in accounts receivable	(2,263)	22,509	(26,673)
Increase in accounts payable	5,082	1,188	3,039
	2,819	23,697	(23,634)
Cash paid and received during the period by the Company for:			
Interest paid	(22,316)	(27,264)	(16,943)
Dividend, interest, and loans proceeds	238,261	252,597	198,308
	215,945	225,333	181,365
Net cash provided by operating activities	169,634	210,054	127,828

Keystone Infra Ltd. - Statements of Cash Flows

	The year ended 31 December		
	2024	2023	2022
	(audited)	(audited)	(audited)
	ILS in thousands		
Cash flows from investing activities			
Acquisition of investees, net	(31,000)	(79,554)	(1,565,133)
Loan to a related company	(24,491)	-	-
Release (creation) of bank deposit	32,178	(1,321)	(2,001)
Acquisition of property, plant and equipment	-	-	(2)
Net cash used in investing activities	(23,313)	(80,875)	(1,567,136)
Cash flows from financing activities			
Proceeds from issue of shares	176,237	-	403,002
Proceeds from issue of bonds	300,000	18,080	182,000
Issue expenses	(6,285)	(58)	(2,325)
Issue of commercial paper	-	37,500	150,000
Loan received from a financial institution	-	187,500	350,000
Long-term loan repaid to a financial institution	(187,500)	(350,000)	-
Dividend paid	(74,300)	(45,000)	(40,000)
Repayment of bonds	(56,489)	(36,412)	-
Net cash provided by (used for) financing activities	151,663	(188,390)	1,042,677
Increase (decrease) in cash and cash equivalents	297,984	(59,211)	(396,631)
Cash and cash equivalents at the beginning of the period	80,904	140,115	536,746
Cash and cash equivalents at the end of the period	**378,888**	**80,904**	**140,115**
Information about investing activities not involving cash flows:			
Declared dividend	19,700	15,000	-
Investment-related liabilities	-	-	(5,283)

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 St., 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**").

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 various assets and different segments within the infrastructure sector, primarily in Israel.

The Company was formed with the purpose of serving as a listed infrastructure investment fund against the background of an interministerial committee for the promotion of tradable infrastructure investment funds (the "**Committee**"), aimed at expanding the funding sources available for infrastructure projects in Israel, reducing their credit costs and capital expenditure, open a new investment channel to the public that will allow direct participation in these project and contributing to the State's ability to implement projects of national importance.

The Committee published its final recommendations in June 2019, defining, among other things, the types of assets in which infrastructure investment funds can invest and the minimum holding percentage of such assets relative to the fund's total assets. In addition, according to the recommendations of the Committee, the funds will benefit from a unique tax regime for infrastructure investment funds, see below, under Note 11E – Taxes on Income, but no legislation formalizing these recommendations has yet been enacted. As of the reporting date, the Company operates in the following infrastructure sectors:

Transport – road operation, mass transit and charted bus, and electric vehicle charging.

Energy – power generation and supply.

Renewable Energy – Production and sale of electricity from solar (PV) and wind projects, as well as storage of electricity generated by these projects.

Water – desalination.

Telecommunications – Development, construction, and operation of international offshore and onshore communication cables, as well as the establishment of data centers.

The Company is defined as an investment entity under IFRS 10, and accordingly measures its investments at fair value; see Note 3 Below.

The Company 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, with an exercise price equal to the issue price; see Note 12A1 below.

Note 1 – General (Cont.)

Given the mechanisms currently established in the management 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 a 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.

B. Exercise of the Option in Egged Partnership

For further information regarding the exercise of the option in Egged Partnership, see Note 7C1.

C. Capital Raising in the Period

For further information regarding the capital raising in February 2024, see Note 13B.

D. Impact of the Swords of Iron War

Since 7 October 2023, with the outbreak of the Swords of Iron War, Israel has been engaged in a conflict that has impacted Israel and the economy. During the fourth quarter of 2024, Israel signed a ceasefire agreement with Lebanon, and residents in the south and north of Israel began returning to their homes. Additionally, following the reporting date, a ceasefire in the south commenced, which included the return of hostages and a halt in fighting, whereas, as of the date of this report, fighting has resumed. Despite the numerous challenges and difficulties in the business environment, the Israeli economy has demonstrated resilience and soundness, with economic activity showing recovery starting from the second half of 2024.

The ongoing fighting, concerns about its potential escalation, and other factors led international credit rating agencies Moody’s, S&P, and Fitch to announce 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.

The entities held by the Company in Israel are active in the infrastructure, transportation and energy sectors, which are critical infrastructures for the functioning of various systems in the economy, and they have accordingly continued to provide their services throughout the period of the military campaign.

To date, no material effect of the War on the state of liquidity of the Company and its investee corporations has been recorded, nor on their funding sources.

Since uncertainty exists as to the development, extent, continuation and effects of the War as of the issuing date of the report, 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 its investee corporations as a result of the War.

Note 1 – General (Cont.)

E. Impact of Higher Inflation and Interest Rates

In 2024, the Consumer Price Index ("**CPI**") reflected a broad-based increase in prices, driven in part by the prolonged Swords of Iron War. Over the year, the CPI rose by ~3.4%, similar to the ~3.3% increase of CPI recorded in 2023.

In an attempt to curb the inflation, the Bank of Israel maintained a stable interest rate policy, and following a reduction in January 2024, the Bank of Israel's interest rate remained at 4.5%. This interest has not changed as of the issuing date of these financial statements.

The Company's revenue from investment proceeds – Most of the Company's investments are protected against a rise in inflation as they include CPI-linkage mechanisms to protect the income, expenses and financing components. Some of the investments are affected positively by the rise in inflation, as their income is directly or indirectly affected by inflation, whereas expenses, including financial costs, are only partly linked to the CPI. Therefore, a rise in inflation increases the revenue from the Company's investments.

The Company's revenue from changes in the fair value of the Company's investments – Higher interest rates affect the discount rates applied in measuring the fair value of investments, and therefore, such higher interest rates negatively affect changes in fair value. Conversely, the Company's investments are characterized by low risk and inelastic demand because they supply basic products (water, electricity and transport), and therefore, during times of uncertainty, their appeal grows and mitigates the effect of the rise in the discount rate.

Furthermore, because the principal customers of the Company's investments are the Israeli government or government-owned companies, the credit risk of those customers is negligible, which in turn also affects the risk of the projects and the effect on the discount rates.

The project-related bank debt in respect of most of the Company's investments carries fixed interest rates throughout the lifetime of the project, and therefore the rise in the market interest rate does not affect the cost of the debt in such investments. Furthermore, for some project companies the loans are additionally linked to the CPI. Such companies benefit from a mechanism of indexation of their income component, such that in net terms, a higher CPI may even immaterially benefit them. The buyer partnership in the Egged transaction has a variable-interest bank debt which amounts, as of reporting date, to approx. ILS 370 million (out of a total debt of approx. ILS 1.17 billion, with the remaining amount is CPI-linked and carry a fixed interest rate). As a consequence, the rise in the Bank of Israel interest rate and the higher inflation will lead to an increase in the partnership's financing expenses.

The operating costs of the Company consist primarily of management fees and transaction expenses and are not affected by higher inflation or interest rates.

The financing expenses of the Company are affected by higher inflation and Bank of Israel interest rate. For details, see Note 4.1A below.

In view of the foregoing, the Company estimates that the effects of the inflation and interest rate in the short and medium terms are not expected to be material, but the Company is unable to assess the continued uptrend in price and interest levels, and therefore cannot assess the long-term effect.

Note 1 – General (Cont.)

F. 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 the IFRS 10.

Note 2 – Significant Accounting Policies

A. Financial Statements' Presentation Basis

The Company's Financial Statements as of 31 December 2024 and 2023 and for each of the three years in the period ending 31 December 2024 comply with the IFRS Accounting Standards, which are standards and interpretations released by the International Accounting Standards Board (IASB) and include the additional disclosure required pursuant to the Securities Regulations (Annual Financial Statements), 5770-2010.

In the context of presentation of these financial statements, it is noted as follows:

1) The financial statements were prepared on a cost basis, with the exception of Investments in Investees which are measured at fair value (see Section B below). See Section F below regarding financial liabilities.
2) The preparation of financial statements in accordance with IFRS Accounting Standards requires the use of certain significant accounting estimates. Furthermore, it requires the Company's management to exercise judgment in the process of implementing its accounting policy. Note 3 provides disclosure about areas that involve significant judgment or complexity, or areas in which the assumptions and estimates have a significant effect on the financial statements. Actual results may materially differ from the estimates and assumptions used by the Company's management.
3) The Company's operating cycle period is 12 months.
4) The Company analyzes the expenses recognized in the statement of profit or loss according to a classification method that is based on the nature of the expense.

B. Investment in Investees

In the Company's position, it qualifies as an Investment Entity under IFRS 10 and therefore measures its investments at fair value, as specified in Note 3 with respect to material accounting judgments and estimates.

Note 2 – Significant Accounting Policies (cont.)

C. Functional Currency

Items included in the Company's financial statements are measured in the currency of the primary economic environment in which it operates (the "**Functional Currency**"). The Company's financial statements are presented in ILS, which is the Company's Functional Currency.

D. Cash and Cash Equivalents

In the statements of cash flow, cash and cash equivalents include cash on hand, short-term deposits with banking corporations and other highly liquid short-term investments with original maturities of not more than three months.

E. Share Capital

Common shares of the Company are classified as share capital.

Incremental costs directly attributed to the issue of new options or shares are presented under equity as a deduction, net of tax, from the issue proceeds.

F. Financial Liabilities

Loans and bonds are initially measured at fair value net of all attributable transaction costs. After initial recognition, they are measured at amortized cost according to the effective interest method; loans and bonds are classified under current liabilities, unless the Company has an unconditional right to defer payment thereof for at least 12 months after the end of the reporting period, in which case they are classified as non-current liabilities.

G. Current and Deferred Taxes

Tax expenses include current taxes and deferred taxes. Taxes are recognized in the statement of profit or loss, with the exception of taxes related to items recorded in other comprehensive income or directly under equity, which are also recognized in other comprehensive income or equity, respectively.

The amount recognized as current taxes is calculated based on the tax laws that have been enacted or substantively enacted as of the date of the statement of financial position.

The Company recognizes deferred taxes based on the liability method, in respect of temporary differences between the amounts of the assets and liabilities included in the financial statements and the amounts taken into consideration for tax purposes. The amount of deferred taxes is determined according to the tax rates (and tax laws) that have been enacted or substantively enacted as of the date of the statement of financial position and are expected to apply when the deferred tax assets are utilized or when the deferred tax liabilities are settled.

Deferred tax assets are recognized in respect of deductible temporary differences, within the limits of the amount of the differences, where it is probable that they may be used in the future against taxable income.

Note 2 – Significant Accounting Policies (cont.)

H. Revenue Recognition

1) Revenue from changes in the fair value of investees
The investments of the Company in investees are presented at fair value, with changes in the fair value recognized in profit or loss. The fair value as of the reporting date is determined, as the case may be, with respect to investments in listed companies per their quoted prices in TASE and in other investments according to an economic valuation conducted by independent external valuers and/or the Company's management. For further details, see Note 3 below.

2) Financing income
Financing income is recognized on a periodic basis, based on the carrying amount of financial assets measured at amortized cost, according to the effective interest method.

3) Dividend income
Dividend income is recognized where the Company's right to receive payment is established, it is probable that the financial benefits attributed to the dividend will flow to the entity and the dividend amount can be reliably measured.

I. Earnings per Share

The calculation of basic earnings or loss per share is based, as a rule, on the profit or loss distributable to shareholders, divided by the weighted average of the number of outstanding shares during the period. When calculating diluted earnings or loss per share, the Company adjusts the profit or loss attributed to the Company's shareholders and the weighted average of the number of outstanding shares for the effects of all dilutive potential shares, as follows:

- The post-tax amount of dividends and interest recognized for the period in relation to dilutive potential shares is added to the profit or loss attributed to the Company's shareholders, and it is adjusted for any other changes in income or expenses that may derive from conversion of the dilutive potential shares;
- The weighted average of the number of additional shares that would be outstanding assuming that all dilutive potential shares are converted is added to the weighted average of the number of outstanding shares.

Potential shares are taken into account as aforesaid, only where their effect is dilutive (reduces the earnings per share or increases the loss per share).

J. Financial Assets

1) Financial assets at amortized cost

Financial assets at amortized cost are financial assets held under a business model the purpose of which is to hold financial assets in order to collect contractual cash flows, and their contractual terms and conditions provide for entitlement on defined dates to cash flows that constitute only principal and interest payments in respect of the outstanding amount of the principal.

Note 2 – Significant Accounting Policies (cont.)

Such assets are classified as current assets, except for maturities for terms longer than 12 months after the date of the statement of financial position, which are classified as non-current assets. The Company's financial assets at amortized cost are recognized within "cash and cash equivalents", "pledged deposits" and "accounts receivable" in the statement of financial position.

2) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are measured at fair value through profit or loss on a periodic basis. The assets are classified as non-current assets, unless management intends to dispose of the investment therein within a period of up to 12 months after the date of the statement of financial position, or their maturity date is no later than 12 months after the date of the statement of financial position, in which case they are classified as current assets.

K. Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction takes place either in the principal market for the asset or liability, or, in the absence of a principal market – in the most advantageous market.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation technique that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities that are measured or disclosed at fair value are categorized within the fair value hierarchy, based on the lowest level of inputs which is significant to the fair value measurement as a whole:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than the quoted prices included in Level 1 which are directly or indirectly observable.

Level 3: Inputs that are not based on observable market inputs (valuation techniques without using observable market inputs).

L. Share-Based Payment

The Company implements a plan for share-based payment to the MC and its employees, which is settled by equity instruments of the Company, under which the Company receives services from the MC in consideration for equity instruments (options) of the Company, as well as to Company employees, consultants or officers. The fair value of the services received from the MC in consideration for the grant of options is recognized as an expense in the income statement.

Note 2 – Significant Accounting Policies (cont.)

The total amount recorded as an expense is determined while accounting for the fair value of the options granted:

- Accounting for market-based performance conditions (for example, the price of the entity's share);
- Not accounting for the effect of non-market service conditions and performance conditions (non-market vesting conditions) (for example, meeting sales and profitability targets and continued employment with the Company for a specific period); and
- Accounting for the effect of any conditions other than vesting conditions.

Non-market vesting conditions are included in the assumptions used for estimating the number of options that are expected to vest. The total expense is recognized during the vesting period, which is the period during which all the defined terms for the vesting of the share-based payment arrangement are required to be satisfied.

Upon exercise of the options, the Company issues new shares. Proceeds, net of directly attributable transaction costs, are recognized in share capital (nominal value) and share premium.

M. Amendments to Existing Standards that have Come into Effect and are Mandatory Starting from 2024:

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

   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*, that:

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

   b. the right to postpone 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.

Note 2 – Significant Accounting Policies (cont.)

c. 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 carrying amount 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.

d. The entity's intention regarding the exercise of an existing right to postpone 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.

e. 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.

According to the provisions of the Amendments to IAS 1, the amendments were applied retrospectively starting on 1 January 2024. The initial application of the Amendments to IAS 1 had no significant effect on the Company's financial statements.

N. New Amendments [sic] and Amendments to Existing Standards that have not yet Taken 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 2024, 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).

Note 2 – Significant Accounting Policies (cont.)

The new key principles under IFRS 18 address the following:

a. <u>The structure of the statement of profit or loss</u>

   Under IFRS 18, items in the statement of profit or loss will be classified into one of 5 categories: operating, investing, financing, income taxes and discontinued operations. IFRS 18 provides general guidelines for classification of the items among these categories. In addition, according to IFRS 18, entities will be required to present new subtotals in the statement of profit or loss, including operating profit.

b. Disclosure in the financial statements on "Management-defined Performance Measures" (MPMs) – In general, MPMs are subtotals of income and expenses that is used in public communications in order to reflect management's perspective of the overall financial performance of the entity.

c. Principles for the aggregation and disaggregation of information in the primary financial statements or the notes.

As part of the transitional provisions, IFRS 18 requires that, in the annual report for the year of initial application of the standard, an entity will present an adjustment to every item in the statement of profit or loss for the comparable year preceding the year of adoption of the standard, between the amounts restated under IFRS 18 and the amounts originally stated while applying IAS 1. A similar adjustment is also required in interim financial statements in the year of initial application for the current and aggregate comparable period in the year preceding the year of adoption of the standard. In accordance with the provisions of IFRS 18, the standard will be applied by the Company to annual periods beginning on 1 January 2027 by way of retrospective application.

The Company is examining the effect of the application of IFRS 18 on its financial statements. As part of the initial and general assessment conducted, the following potential implications have been identified so far:

- Although the adoption of IFRS 18 will not impact the Company's net income, the Company anticipates that the classification of income and expense items in the statement of profit or loss according to the newly established categories will affect the way operating profit is calculated and reported.
- Additional disclosures will be required, such as MPMs and a breakdown by nature of expenses classified by function within the operating category in the statement of profit or loss.
- Regarding the statement of cash flows, there will be changes in the presentation of interest received and interest paid. Interest paid will be presented under financing activities, and interest received will be presented under investing activities, differing from the current presentation where both are included in operating activities.

Note 3 – Material Accounting Judgments and Estimates

Estimates and judgments are regularly examined, and are based on multiple factors, including expectations in relation to future events, which expectations are deemed reasonable, in view of the existing circumstances.

The Company makes estimates and assumptions about the future. By their nature, it is rare for the resulting accounting estimates to be identical to the actual respective results. The estimates and assumptions with significant risk for making material adjustments in the carrying amount of assets and liabilities during the subsequent financial year are specified below.

Investment Entity

The Company's position that it can be classified as an Investment Entity is based on its judgment. In the Company's position, it qualifies as an Investment Entity under IFRS 10, as specified below, and therefore measures its investments at fair value.

Under IFRS 10, an entity is an Investment Entity if it meets the following conditions:

a. The company obtains funds from one or more investors for the purpose of providing those investors(s) with investment management services;

b. The company commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

c. The company has more than one investment – as of reporting date the Company has investments in several different entities, and the Company continues in its efforts to examine appropriate opportunities for further investment.

d. The Company measures and evaluates the performance of substantially all of its investments on a fair value basis, which is a key indicator for making decisions about exit strategy.

As described above, the Company's business purpose is generating value for its investors, by capital appreciation and dividends, which is reflected in the existence of an exit strategy for capturing the appreciation of its capital investments and its investments in non-financial assets, as follows:

Investments in project companies (including companies that hold several project companies) that hold limited-term licenses/franchises (licenses/franchises are generally granted for a term ranging between 20 and 30 years) – Holding these companies until the end of the term of the license/franchise is the exit strategy for investments of this type. After expiration of the license/franchise, the Company acts to liquidate or sell the project company. For companies holding several project companies, the relevant date is the latest license expiration date among the licenses, but in any event no later than 25 years from the acquisition date.

Investment in an infrastructure company without a license/franchise – The period of operations of a company of this type is indefinite, and the Company has thus set a period of 10 to 15 years, during which it will act to maximize the value of the investment in accordance with a development and enhancement plan and then act to liquidate the investment in accordance with predetermined criteria.

Note 3 – Material Accounting Judgments and Estimates (Cont.)

Such investment liquidation may be carried out, *inter alia*, by any of the following means: Initial public offering; private placement; sale or distribution of the ownership rights in the investee entities to the investors.

Investment in Investees

By virtue of the Company's classification as an Investment Entity (as specified above), investments by the Company in investees are presented at fair value, with changes in fair value recognized in profit or loss.

The fair value as of the reporting date for investments in listed companies according to their quoted price on TASE and for investments in other companies according to an economic valuation conducted by independent external valuers and/or the Company's management.

The valuation includes the use of generally accepted valuation performance techniques and assumptions with respect to various estimates, including in connection with future cash flows, the entity's lifetime, multiples, standard deviation, discount rate, etc.

Fair value may also be determined based on the price of a transaction made shortly before the reporting date, on similar transactions or according to capital raising rounds made in those investments.

Changes in fair value may result from a change in the future cash flow forecast, a change in the discount rate, and from considering various risks such as credit risks and liquidity risks.

Where the Company's management estimates that the primary assumptions underlying a previous valuation have not materially changed, the fair value of the investment in the investee is taken by a factor of the rate of return to the owners (Ke) which is taken from the previous valuation calculation, net of dividends and/or loan repayments distributed since the date of the previous valuation.

The Company records changes in fair value in the "Net change in fair value of investments in investees measured at fair value through profit or loss" item.

Note 4 – Financial Risk Management

1. Financial Risk Factors

The Company's operations may expose it to diverse financial risks, such as market risks (price, CPI, interest and foreign exchange risks) and liquidity risks. The Company's risk management plan focuses on the attempt to minimize possible adverse effects on its financial performance as a result thereof.

Risk management is conducted by the Company's CEO in accordance with the resolutions adopted from time to time by the Company's board of directors. The CEO identifies, assesses and defines the financial risks, in close collaboration with the relevant Company officers. The Board provides guidelines for the overall management of risks, as well as a policy that addresses specific areas, such as interest rate risks, and the investment of retained earnings, if any.

A. Market risks

1) **Price risk**

The Company invests in shares and/or loans of investees, which have been classified as financial assets, measured at fair value through profit or loss. Due to such investments, the Company is subject to a price risk in respect of changes in the value of such financial assets. Furthermore, the investments entail a business and economic risk. Therefore, material changes may occur in the value of the Company's investments. For information about changes in the fair value of the Company's investments and value sensitivity analyses, see Note 7 below.

2) **Foreign exchange risk**

The Company's operations are chiefly in Israel, and most operations are consequently based on the shekel (ILS). However, the Company has immaterial overseas investments that are linked to the relevant foreign exchange rate as well as various elements of the operational structure of investees are linked to the US dollar and/or Euro and/or Zloty, and hence the Company believes it is exposed to foreign exchange risk.

3) **The CPI**

Various components of the operational structure of the different projects are linked to the CPI and other indices, across income, expense, and financing components. As a result, the majority of the Company's investments are protected against inflation. The Company's Series A bonds are CPI-linked, and a 1% change in the CPI is expected to impact the Company's annual financing expenses related to the Series A bonds, based on their outstanding amount as of the reporting date, by approx. ILS 6.5 million.

4) **Bank of Israel interest**

The Company's credit facility and commercial paper bear Bank of Israel interest plus a margin. A significant change in this rate may impact the Company's financing expenses. A 1% change in the Bank of Israel interest rate is expected to affect the Company's annual financing expenses for the credit facility (assuming 50% facility utilization) and commercial paper in the sum of approx. ILS 3.8 million.

Note 4 – Financial Risk Management (Cont.)

B. Liquidity Risk

1. Liability management

The Company's investments are expected to predominately comprise investments in unlisted companies. As a result, the Company is subject to the risk that the investments will not be able to be capitalized in the short term.

The following table presents an analysis of the Company's financial liabilities, according to the remaining period until their contractual payment date as of the date of the balance sheet. The amounts presented in the table are undiscounted contractual cash flows.

As of 31 December 2024 (ILS in thousands):

	Up to 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 years	5 years or more	Total
Commercial paper	187,500	-	-	-	-	187,500
Series A Bonds	61,432	98,667	97,961	97,263	325,044	680,367
Series B Bonds	18,220	17,640	32,195	31,359	314,054	413,469
Accounts payable	25,119	6,771	-	-	-	31,890
Total	**292,271**	**123,078**	**130,156**	**128,622**	**639,098**	**1,313,226**

As of 31 December 2023 (ILS in thousands):

	Up to 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 years	5 years or more	Total
Commercial paper	187,500	-	-	-	-	187,500
Series A Bonds	59,820	59,396	95,399	94,717	408,323	717,655
Loan from financial institution	-	187,500	-	-	-	187,500
Accounts payable	21,882	-	6,771	-	-	28,653
Total	**269,202**	**246,896**	**102,170**	**94,717**	**408,323**	**1,121,308**

2. Fair Value estimates

The carrying amount of cash and cash equivalents, a pledged deposit, accounts receivable, accounts payables, a loan from a financial institution and commercial paper is consistent with or proximate to their fair value.

The Company's investments are recorded at fair value according to the value hierarchy as specified in Note 7 below and Note 2K above.

Note 4 – Financial Risk Management (Cont.)

Series A Bonds:

	31 December	
	2024	2023
	ILS in thousands	
Carrying amount	645,262	675,352
Fair value	**597,330**	**589,717**

Series B Bonds:

	31 December	
	2024	2023
	ILS in thousands	
Carrying amount	296,788	-
Fair value	**304,920**	**-**

The fair value of Series A Bonds and Series B Bonds is based on the price on TASE on the reporting date.

Note 5 – Cash and Cash Equivalents

	31 December	
	2024	2023
	ILS in thousands	
Cash and on-call deposits	317	192
Short-term bank deposits	378,571	80,712
	378,888	**80,904**

Short-term bank deposits are for periods of up to three months.

Note 6 – Accounts Receivable

Short-term accounts receivable:

	31 December	
	2024	2023
	ILS in thousands	
Prepaid expenses	1,172	964
Accounts receivable	216	509
Related Parties	5303	4,347
Government institutions	814	-
	7,505	**5,820**

Long-term accounts receivable:

The balance includes balances vis-à-vis Related Parties, mainly due to a loan to Eranovum in the sum of Euro 6 million. See Note 7 below for further details.

Note 7 – Investments in Investees and Loans

A. Composition of the Investments in Companies:

Company Name	Section in Note	Original Investment Amount	Aggregate Investment Proceeds	Fair Value	Fair Value Hierarchy	Holding Rate
		Balance as of 31 December 2024				
		ILS in Thousands				
Egged Partnership	1	1,053,693	64,339	1,511,000	Level 3	(*) 48.6%
Drive Group	1	69,247	55,015	104,300	Level 3	21.3%
Eranovum	1	101,773	-	223,561	Level 3	49%
Ashkelon Desalination Plant	1	218,660	122,500	146,000	Level 3	50%
IPM Be'er Tuvia Power Plant	1	585,582	198,218	426,205	Level 3	32.1%
G.P. Global	2	22,309	-	35,013	Level 1	10.59%
Ramat Hovav Power Plant	1	174,641	201,526	367,445	Level 3	16.33%
Hagit Power Plant	1	107,596	103,967	129,838	Level 3	16.33%
Sunflower Sustainable Investments	2	179,165	-	120,838	Level 1	53.24%
Cinturion	3	17,473	-	17,473	Level 3	30%
Total Investments in Investees and loans		**2,530,139**	**745,565**	**3,081,673**		

(*) The Company holds ~81.1% of the interests in Egged Partnership (as well as full ownership of the general partner of Egged Partnership), which, as of the reporting date, holds 60% of Egged's shares. (See Section C1 below regarding the acquisition of additional 18% of Egged's share capital in February 2025).

1) The fair value of the investment is based on an external valuation that were carried out as of 31 December 2024.

2) The fair value of the investment is determined based on the quoted share price on TASE.

3) The fair value of the investment is determined based on the consideration paid at the transaction closing date, with management’s assessment being that no material change in fair value has occurred since that date.

Note 7 – Investments in Investees and Loans (Cont.)

Company Name	Original Investment Amount	Aggregate Investment Proceeds	Fair Value	Fair Value Hierarchy	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	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	16.33%
Hagit Power Plant	107,596	41,450	190,391	Level 3	16.33%
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**		

Note 7 – Investments in Investees and Loans (Cont.)

B. Composition of revenue from the Investments in Investees:

Company Name	Year Ended 31 December 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	220,496	64,339	284,835
Drive Group	100	16,971	17,071
Eranovum	(3,894)	-	(3,894)
Ashkelon Desalination Plant	(22,000)	31,500	9,500
IPM Be'er Tuvia Power Plant	(11,452)	9,446	(2,006)
G.P. Global	6,072	-	6,072
Ramat Hovav Power Plant	(76,734)	53,488	(23,246)
Hagit Power Plant	(60,553)	62,517	1,964
Sunflower Sustainable Investments	(8,102)	-	(8,102)
Total	**43,933**	**238,261**	**282,194**

Company Name	Year Ended 31 December 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	207,106	-	207,106
Drive Group	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**

Note 7 – Investments in Investees and Loans (Cont.)

	Year Ended 31 December 2022		
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	29,705	-	29,705
Drive Group (formerly the Operator companies)	8,000	13,767	21,767
Ashkelon Desalination Plant	(28,000)	31,500	3,500
IPM Be'er Tuvia Power Plant	(75,719)	88,621	12,902
G.P. Global	5,471	-	5,471
Ramat Hovav Power Plant	118,509	64,420	182,929
Hagit Power Plant	24,318	-	24,318
Sunflower Sustainable Investments	(59,470)	-	(59,470)
Total	**22,814**	**198,308**	**221,122**

Note 7 – Investments in Investees and Loans (Cont.)

C. Additional Information on the Investments

1) Investment in Egged Partnership

a. The Company (indirectly) holds ~49% of the shares of Egged - Public Transportation Ltd. ("**Egged**"), the largest public transportation company in Israel, through ~81% holding in Keystone Fund – Egged Partnership, Limited Partnership ("**Egged Partnership**"), which, as of the reporting date, holds 60% of Egged's shares. See Section F below regarding the acquisition of additional 18% of Egged's issued share capital in February 2025.

b. Egged Partnership, of which a wholly owned subsidiary of the Company is the general partner, and of which the Company (~81%) and school and preschool teachers study funds (~19%) are limited partners, signed on 6 June 2022 an agreement for the acquisition of 60% of Egged's shares and the granting of a put option to the shareholders for the acquisition of their remaining shares two and three years after the date of the closing of the transaction (see Section F below for details on the option that was exercised and paid in February 2025).

On 3 October 2022 (the "**Closing Date**"), Egged Partnership completed the acquisition of Egged shares. On 23 March 2023, the final consideration amount was determined after adjustments set forth in the agreement for a total amount of approx. ILS 2,981 million.

Egged Partnership financed the payment through equity provided to it by the partnership's limited partners at ILS 1,265 million and through bank financing of approx. ILS 1,400 million, as specified below. The agreement further stipulated that an additional amount of ILS 296 million (the "**Deferred Amount**" which constitutes an indemnity fund according to the terms and conditions of the agreement, see Section G below) will be paid by Egged Partnership, net of amounts that may be due to the buyer (if any) plus CPI-linked interest of 1%-2% which will be added to the indemnity fund balance. The Company's share in the partnership's equity including costs capitalized to the investment was approx. ILS 1,054 million.

Upon the closing of the transaction by Egged Partnership, the Company holds ~49% of Egged's shares.

As part of the share acquisition transaction, the following agreements were also signed:

A **limited partnership agreement** between a wholly-owned subsidiary of the Company as general partner, the Company as limited partner and school and preschool teachers study funds as an additional limited partner. This agreement establishes, *inter alia*, the contribution of each one of the limited partners to the equity required by Egged Partnership for the acquisition of Egged shares, and further establishes the Company's commitment to guarantee Egged Partnership's obligations under the acquisition agreement. The right of the general partner of Egged Partnership to make a capital call from its limited partner was assigned and pledged to Egged and representatives of the sellers in the transaction.

A **financing agreement** between Egged Partnership and a banking consortium that establishes the receipt of a loan to finance the acquisition of 60% of Egged. On 3 October 2022, the consortium provided the financing to Egged Partnership at ILS 1,400 million, as follows:

Note 7 – Investments in Investees and Loans (Cont.)

1. A current loan with a principal amount of ILS 910 million. Approx. ILS 817 million bear fixed interest at an annual rate of 3.2%, linked to the CPI, and approx. ILS 93 million bear the Prime interest rate plus a margin of 1.23%. The current loan principal will be repaid in semiannual installments until December 2029, according to a payment schedule agreed upon between the parties. The term of the loan is ~5 years.
2. A bullet loan with a principal amount of ILS 490 million, bearing variable interest at Prime plus a margin of 1.59% per annum. The loan principal will be repaid in a single installment 7.5 years after the date of provision of the loan (subject to prepayment mechanisms set forth in the agreement).
3. The interest on the loans will be paid in semiannual installments from December 2023 until the final maturity date of each one of the loans.
4. The agreement determines standard financial covenants, with failure to comply constitutes a breach of the agreement and grounds for acceleration, as well as standard loan agreement acceleration grounds.
5. To secure the repayment of the loan, the following collateral, *inter alia*, will be provided: a first-degree, unlimited pledge on all of Egged's shares and the means of control therein held by Egged Partnership, on Egged Partnership's rights in the agreement for the acquisition of Egged's shares, on Egged Partnership's rights in the bank account where the loans were provided; and a letter of undertaking from the general partner of Egged Partnership, and letters of undertaking and subordination from the limited partners of Egged Partnership.

c. 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. The first exercise date was in October 2024, when the sellers were required to deliver exercise notices to Egged Partnership by 4 August 2024, and the payment date for the first exercise of the option is scheduled for February 2025, see Section F below. The dates related to the second exercise are the same, respectively, to those of the first exercise, only in 2025 and 2026.

d. On 20 June 2024, 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. Egged Partnership may take, out of the said credit facility, three loans:

1. A balloon loan of up to ~45% of the loan, 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.

Note 7 – Investments in Investees and Loans (Cont.)

2. Two current loans in the aggregate amount of up to ~55% of the loan, bearing, at 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.
3. 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 Egged Partnership in the agreement for the current financing used for the acquisition of 60% of Egged's shares (the "**Current Financing Agreement**").
4. 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).
5. To secure repayment of the loans, the following collateral, *inter alia*, will be provided: a first-degree, unlimited pledge on the shares associated with the exercise, on Egged Partnership's rights under the agreement for the acquisition of Egged shares, in connection with the shares associated with the exercise, and on Egged Partnership's rights in the bank account in which the loans will be provided; and letters of undertaking and subordination from the limited partners of the acquiring partnership.

e. In February 2025, Egged Partnership signed an amendment to the credit facility agreement, whereby the availability period of the facility, the subject matter of the agreement, was extended by an additional year. This extension allows for the drawdown of the remaining credit facility amount (ILS 600 million) for the purpose of financing the acquisition of the remaining shares associated with the exercise, if exercised by February 2026.

f. On 29 July 2024, Egged Partnership was informed that notices were given about the exercise of the put option for an aggregate ~18% of Egged's issued capital. After the date of these reports, in February 2025, the option was exercised such that the holdings of Egged Partnership in Egged following the first exercise has increased to ~78%. The consideration estimated for the closing of the purchase indicated in the exercise notices is approx. ILS 833 million, while approx. ILS 365 million were paid through the bank financing out of the credit facility, and the balance in the sum of ILS 468 million was paid by the Company (ILS 379 million) and the school and preschool teachers study funds (ILS 89 million') according to the holding rate in Egged Partnership.

g. In February 2025, an amendment to the purchase agreement was signed, under which the consideration for Egged's shares will be reduced by ILS 150 million in exchange for the full and final settlement of indemnity claims against the founding shareholders – the sellers of the shares – under the purchase agreement (including a waiver of future indemnity claims), and for the early payment of the Deferred Amount for those shares (approx. ILS 180 million including interest and linkage), which was brought forward from October 2025 to the end of February 2025. The impact of the amendment was reflected in the Company's valuation.

Note 7 – Investments in Investees and Loans (Cont.)

h. Egged - Public Transportation Ltd. ("**Egged**")

Egged is the largest public transportation company in Israel that engages in:

1. Provision of bus-based public transport operation services in Israel, according to an operation agreement signed in 2018 with the State of Israel. In addition, Egged operates and maintains its own bus fleet, and also provides bus maintenance and repair services to external customers. The maintenance activity in Israel is carried out through 17 repair shops and 6 service stations located throughout Israel.
2. Provision of public transportation services in the Netherlands and Poland (through companies it wholly owns (indirectly)). In the past, Egged participated, and it is also exploring future participation in public transport tenders in other countries in Europe.
3. Operation of charted bus and tourism industries in Israel through a wholly-owned subsidiary.
4. Operation and maintenance of the Tel Aviv light rail's red line through a subsidiary of Egged (in which Egged has an indirect 51% stake). The operation period is 10 years from the date of "full operation" that started in august 2023 and the agreement may be extended by 6 additional years.
5. Starting from April 2024, operating Jerusalem Ring Cluster West (the "**Cluster**"), following the winning of a competitive process.
6. Egged has a portfolio of real properties, including properties under ownership or long-term leasehold, that are located throughout Israel, including in major cities such as Jerusalem, Haifa, Ashdod and Holon, with a land area of ~390 thousand sqm. Some of the real properties are used by Egged mainly for the public transportation activity in Israel. A non-material portion of Egged's real properties is leased under a free lease to third parties, and part is development real estate.
7. On 12 March 2025, Egged Holdings Ltd. (a company wholly owned by Egged) ("**Egged Holdings**") received a notice from NTA regarding its winning bid in the tender to operate two light rail lines in the Tel Aviv Metropolitan Area – the Green Line and the Purple Line. See Section J4 below.

i. Distributions by Egged:

1. On 28 March 2024, the court approved Egged's request to execute a distribution that does not meet the profit test but complies with the solvency test under Section 303 of the Israeli Companies Law, 5759-1999, in the amount of ILS 350 million. The Partnership's share in the distribution amounted to approx. ILS 210 million, and the distribution proceeds were used to repay the variable component of the loan within Egged Partnership.
2. In addition to the distribution described in Section I(1) above, during 2023 and 2024 Egged distributed additional dividends totaling ILS 109 million and approx. ILS 421 million, respectively. The Partnership's share in these distributions amounted to approx. ILS 66 million and approx. ILS 253 million, respectively.

Note 7 – Investments in Investees and Loans (Cont.)

j. Events at Egged during and after the reporting period

1. In 2024, Egged began operating a new franchise in the city of Krakow, through ~150 buses, which activity doubled the volume of Egged's operations in the city, alongside cancelation of the previous franchise which was in smaller volumes than the new franchise.

2. Operation of the Jerusalem Ring tender from April 2024, further to winning the competitive process for an operational period of 10 years, and totaling 15.2 million km of service per year according to the base map. The Cluster is operated through a minimum fleet of 300 buses, and operation thereof was carried out in two stages: Stage A – from April 2024, and Stage B – from March 2025. To fund the operation of the Cluster, in January 2024, Egged Jerusalem Ring entered into a non-recourse financing agreement with a banking corporation, designated for the financing of procurement of the buses and other investments that are required according to the terms and conditions of the tender.

3. The purchase of 3 real properties: In November 2024, Egged Group, together with another investor, entered into agreements for the purchase of 3 properties from Paz Group, of an area totaling ~40 thousand sqm, and at a total cost of approx. ILS 127 million, at Re'em Junction, in the Ashdod northern industrial zone and in the north industrial zone in Beer Sheva. Egged's share in the purchase – 50%. Egged also entered into an agreement for the sale of 50% of a property owned thereby in the Brosh industrial zone in Bet Shemesh of an area of ~10,000 sqm to the same investor, according to a value of approx. ILS 26 million. The property is designated for the construction of a logistics center. The agreements are contingent on closing conditions which, as of the reporting date, have not yet been fulfilled .

4. On 12 March 2025, Egged Holdings received notice from NTA regarding its having won a tender for the operation of two light rail lines in the Tel Aviv Metropolitan Area – the Green Line and the Purple Line. The Green Line is planned to open in 2028, with commercial operation being planned for 2030. According to reports of NTA, around 275 thousand passengers a day are expected to travel on the line, and the expected mileage is 3.9 million km per year. The Purple Line is planned to open in 2028. According to reports of NTA, ~256 thousand passengers a day are expected to travel on the line, and the expected charter bus mileage is 2.7 million km per year. The operation period is 10 years and NTA has an option to extend it by up to an additional 10 years, in relation to both or only one of the lines. The projected revenue in the term of the agreement (the running-in and operation period, without the option period) will total approx. ILS 2 billion.

5. The offering of Series 1 bonds (the "**Bonds**") by way of a private placement to accredited investors in August 2023, in the context of which Egged raised the sum total of approx. ILS 495 million. In July 2023, the Bonds were rated ilAA- by the rating agency S&P Maalot, and Egged was rated ilA+ with a stable outlook.

Note 7 – Investments in Investees and Loans (Cont.)

6. In April 2024, payment demands were received in respect of income tax assessments to the best of judgment for the tax years 2018-2021, in the context of which the assessing officer determined that a certain percentage of the expenses incurred by Egged in respect of a payment liability to the State by virtue of an agreement between it and the State, of 2018, does not constitute an expense recognized for tax purposes. According to the demands, the tax amount that Egged shall be required to pay for the said years 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 strong claims against the assessments. In September 2024, Egged filed an administrative objection to the assessments, and it is the position of its professional advisors that the prospects of the administrative objection are very high. As of the reporting date, the administrative objection is being heard at Income Tax.
7. For information regarding lawsuits against Egged, see Note 12D below.
8. As of 31 December 2024, the fair value of the investment in Egged Partnership was assessed in a valuation carried out by an independent outside valuer from BDO Consulting Group, with recognized professional qualifications and considerable experience in the infrastructures industry. The valuation was performed using the asset value method, which is based on a valuation of Egged using the DCF method, net of debt in Egged and in Egged Partnership. The valuation was based on a forecast by the Company's management and Egged's management of the projected revenue, expenses and investments, the number of kilometers that will be travelled, the rate of departing from public transport clusters and winning of tenders. The period that was used for the valuation is mainly based on the period of the operational agreement with the State according to the periods of the license and/or contracts in the various activities, and assuming a gradual departure from clusters and winning of future tenders. After 2035, continued operation was assumed according to a representative year from which a terminal value was derived. The discount rates used for measuring the fair value of the various activities (WACC) are: Egged standalone – 8.5% and 10.5% for a representative year, Egged Heseim 11.75%, EBS 7% and 8.75% for a representative year, and Mobilis 11.75% and 14.75% for a representative year.

In the reporting period, a positive net change of ILS 220,496 thousand was recorded in the fair value, with ILS 284,835 thousand attributed to a positive change in the fair value adjustment according to the valuation net of ILS 64,339 thousand as a result of an adjustment for dividend revenue.

Note 7 – Investments in Investees and Loans (Cont.)

2) Investment in Drive Group

The Company holds ~21.33% of equity interests and ~19.67% of the voting rights in A. Drive Group Ltd., which holds all of the share capital of the companies: Derech Eretz Highways Management Corporation Ltd. ("**Derech Eretz**"); Hacarmel Lanes Systems & Operation Ltd.; North Road Operation & Maintenance Ltd.; 431 Ways Operation & Control Ltd.; Integrated Lanes Ltd.; Advanced Solutions - Road Systems Ltd.; Safe Way On The Roads Ltd., and A.A.C.Y. Electricity & Maintenance Services Ltd. and Barak 555 Ltd. (all of them jointly: "**Drive Group**"). The Drive Group companies engage in the management, maintenance and operation of Advanced transportation infrastructure, including Highway 6 and the Carmel Tunnels, electromechanical infrastructure in roads, tunnels, and operational sites, as well as communication and technological systems in the transportation and security sectors. The acquisition of the rights in Drive Group was closed in February 2020 for a net consideration amount of ILS 69 million.

The original operational period for Highway 6 was until July 2029. Further to an extension of the franchise period under an agreement between the franchisee and the State, the operational and maintenance period was extended back-to-back with the agreement between the State and the franchisee (which Derech Eretz estimates to be a period of approx. 3 years).

In July 2024, Drive Group acquired Barak 555 Ltd., a private company specializing in communication and low-voltage systems, control systems, and electronic security solutions. At the time of the acquisition, 60% of Barak 555's shares were acquired. The Drive Group holds an option to acquire the remaining 40% of the shares within three years from the transaction closing date, under a pre-agreed consideration mechanism.

With respect to a payment evasion guarantee provided by the Company to Drive Group, see Note 12B1 below.

As of 31 December 2024, the fair value of the investment was measured through a valuation carried out by an independent external valuer from BDO Consulting Group with recognized professional qualifications and considerable experience in the infrastructures industry, using the discounted cash flow (DCF) method. The valuation was based on a forecast by the Company's management of projected revenue, expenses and investments. The operational period that was used for the valuation includes the extension of the franchise period for the franchisee under the agreement between the State and the franchisee as aforesaid.

The real discount rate used for the valuation is ~10.1%. An increase of 0.5% in the discount rate would reduce the value of the investment as of the valuation date by approx. ILS 2.3 million, while a decrease of 0.5% in the discount rate would increase the value of the investment as of the valuation date by approx. ILS 2.5 million.

In the reporting period, a positive net change of ILS 100 thousand was recorded in the fair value, with ILS 16,203 thousand attributed to a positive change in the fair value adjustment according to the valuation net of ILS 16,103 thousand as a result of an adjustment for dividend revenue. In addition, the Company received approx. ILS 868 thousand as fees for the above mentioned guarantee.

Note 7 – Investments in Investees and Loans (Cont.)

In March 2025, the Company and Egged entered into an MoU for the sale of all of the Company's shares in Drive Group to Egged, in consideration for a value determined in the Company's books based on a valuation as of 31 December 2024, in the amount of ILS 104,300 thousand.

3) Investment in Eranovum

On 16 March 2022, the Company entered into a share acquisition and investment agreement with Eranovum e-Mobility, S.L ("**Eranovum**"), which is engaged in the installation of EV charging stations in Spain, France and Belgium. Under the agreement the Company invested approx. €11.5 million in exchange for the allotment of 30% of Eranovum's capital on the acquisition date. The agreement also conferred on the Company, upon fulfillment of a condition set forth in the agreement, an option for the investment of an additional amount of €15 million in exchange for the allotment of an additional 19% of Eranovum's capital, which was gradually exercised during 2023 and 2024, such that as of 31 December 2024, the Company holds ~49% of Eranovum. Concurrently with the investment agreement, an agreement was also signed between the shareholders to establish the contractual relationship between the Company, Eranovum's founders and Eranovum.

During the reporting period, the Company provided loans to Eranovum in a total amount of €6 million. The loans bear interest at a rate of 12.5% and are intended to support Eranovum's continued development and installation of charging stations. The loans are scheduled for repayment by 31 March 2025. As of the reporting date, the parties have initiated negotiations to extend the repayment date and revise the loan terms, including the addition of a conversion option.

Eranovum is working to expand its funding sources through debt and equity financing in order to support its continued operations and growth.

Eranovum was incorporated in 2021 in Spain and is engaged in the installation of EV charging stations in urban areas. Since its establishment, Eranovum has entered into agreements with various entities. As of the end of 2024, Eranovum operates ~905 active charging stations and holds long-term agreements with leading networks for the installation of an additional ~1,400 stations. Of the active stations, 875 are located in Spain. In 2023, Eranovum commenced operations in France through the acquisition of a local company. As of the end of 2024, 4 charging stations are active in France, and Eranovum has also won a tender to install ~2,200 additional stations in France. In early 2024, Eranovum began operations in Belgium through a subsidiary held jointly with a developer. As of the end of 2024, 26 charging stations are active in Belgium. Additionally, in 2023, Eranovum began working on developing independent development capabilities for power generation from renewable energy sources, intended to supply power to the charging stations it operates.

Note 7 – Investments in Investees and Loans (Cont.)

As of 31 December 2024, the fair value of the investment was assessed by an independent external valuer from BDO Consulting Group, with recognized professional qualifications and considerable experience in the infrastructures industry. The valuation was performed using the DCF method. The valuation was based on a multi-year forecast received from Eranovum's management until 2034, and thereafter a representative year was assessed, from which a terminal value was derived. The discount rate that was used to measure the fair value of the investment is 17.75% (previous valuation as of 30 September 2023 – 18.75%).

In the reporting period, a negative net change was recorded in the fair value at approx. ILS 3,894 thousand, deriving from the fair value adjustment according to the external valuation.

4) Investment in the Ashkelon Desalination Plant

The Company holds 50% of the issued and paid-up share capital of V.I.D. Desalination Company Ltd., which holds a franchise for the desalination plant in Ashkelon (the "**Desalination Plant**" or "**VID**"), with production capacity of ~120 million m^3 per year. The plant's operations began in 2005, and the franchise period is expected to end in 2027. The transaction was signed in July 2020 and closed in October 2020, after the necessary approvals were received and the transaction's closing conditions were fulfilled, in consideration of approx. ILS 219 million.

With respect to guarantees provided by the Company for the purchase transaction, see Note 12B2 below.

As of 31 December 2024, the fair value of the investment was assessed in a valuation carried out by an independent external valuer from BDO Consulting Group, with recognized professional qualifications and considerable experience in the infrastructures industry, using the free cash flow to equity (FCFE) method. The valuation was based on a forecast by the Company's management of projected revenue, expenses and investments. The operational period that was used for the valuation is until the end of H1/2027, which is the date of expiration of the franchise period, the cost of equity (K_e) used for the valuation is 8%. An increase of 0.5% in the discount rate would reduce the value of the investment as of the valuation date by approx. ILS 2 million, while a decrease of 0.5% in the discount rate would increase the value of the investment as of the valuation date by approx. ILS 2 million.

In the reporting period, a negative net change was recorded in the fair value at ILS 22,000 thousand, with the amount of ILS 9,500 thousand deriving from the fair value adjustment according to the valuation and ILS 31,500 thousand as a result of an adjustment for revenue from dividend, interest and loan proceeds.

A dispute arose between VID and the Water Desalination Administration (the "**WDA**") with respect to the interpretation of the provisions of the periodic audit arrangement on assessment of the variable component in the franchise agreement.

In accordance with the franchise agreement, the parties resolved the dispute in an arbitration, which ended in a settlement agreement signed by the parties on 18 July 2024. The arbitration award was entered as a judgment on 18 August 2024, according to the terms detailed below.

Note 7 – Investments in Investees and Loans (Cont.)

In the settlement agreement it was agreed that the State will retain amounts it offset in 2023 but will perform no further offsetting. The balance of the settlement amount will be offset against the water price paid to VID in the period between December 2025 and the end of the franchise period. It was further agreed that the State will be given an option to extend the term of the franchise agreement at a reduced price for additional periods of 4.5 months each, by prior notice of at least six months before the end of the current term of the agreement, and thereafter by prior notice of ~4 months.

VID recorded in its financial statements for 2023 a provision that reflects its share in the settlement arrangement, attributed to the period from 2013 until the end of 2023 (according to the conditions finalized for signing as of this date). Starting from 2024, the settlement amounts are recorded on an ongoing basis.

5) Investment in IPM Be'er Tuvia Power Plant

As of reporting date, the Company holds~34.3% of the issued and paid-up share capital of IPM Be'er Tuvia Ltd. that owns a power plant with an installed capacity of 451 MW, through holdings of 10.66% of the issued and paid-up share capital of GP Global Power Ltd. ("**Global**"), 50% of the issued and paid-up share capital of I.P.M. Holdings 2016 Ltd. ("**IPM**") and ~12.69% of the issued and paid-up share capital of Triple-M Power Plants Ltd. ("**Triple-M**") (all on a fully diluted basis). The cost of the Company's investment in the power plant, including the purchase of loans provided by Phoenix to Global and A.Y.A. Paris for the provision of their share in the equity in the plant (the "**Loan to Global and A.Y.A. Paris**"), which was made in 2021 and 2022 in the context of the agreements that were signed with Phoenix Insurance Co. Ltd. and Phoenix Excellence Pension and Provident Fund Ltd. ("**Phoenix**"), with Leumi Partners and with Noy 2 Infrastructure & Energy Investments, Limited Partnership ("**Noy**"), totals approx. ILS 605 million, of which ILS 226 million was paid in 2021 and the balance in 2022.

In June 2019 to February 2021, Global and A.Y.A. Paris paid amounts on account of the loan which, according to Phoenix and the Company, were payments other than according to the provisions of the loan agreement. In view of the disputes, the parties conducted a mediation proceeding. A mediation arrangement was signed between A.Y.A. Paris and the Company, but the general meeting of Global did not approve the arrangement. As a result, Global filed a lawsuit against the Company and other entities in this context (in which no remedies were sought against the Company), and the Company is considering the continuation of the legal proceedings against Global in order to realize its rights as a creditor. After the reporting date, the Company was removed from the aforementioned lawsuit, which continues against the other entities.

The IPM Be'er Tuvia Power Plant is an active power plant for the production of electricity which operates using combined cycle technology (CCGT) of gas and steam turbines with an installed capacity of 451 MW (in this section: the "**Power Plant**" or "**IPM Be'er Tuvia**"). The Power Plant launched commercial operations in February 2021 after the Minister of Energy granted it on 10 February 2021, according to the Israel Electricity Authority's resolution, a production license and a supply license for a period of 20 years. Most of the Power Plant's output (85%) is sold to Noga - Israel Independent System Operator in consideration for fixed availability tariffs and an energy tariff which is based on the plant's normative costs, and the remainder to private consumers.

Note 7 – Investments in Investees and Loans (Cont.)

In addition, in July 2022, the Minister of Energy granted IPM Be'er Tuvia a license to supply electricity without means of production (“**Virtual License**”).

On 15 February 2024, scheduled heavy maintenance began at the Power Plant. The maintenance was completed on 5 May 2024, ~37 days behind schedule. This delay caused IPM Be'er Tuvia damage, including lack of entitlement to availability payments over the maintenance period and the event was reflected in the Company's valuation as of 30 June 2024.

As of 31 December 2024, the Company performed a valuation to estimate the fair value of the investment in IPM. The valuation was made by an independent outside valuer from S.C.A Economic Advisory Ltd. The valuation was performed using the DCF method.

The valuation was based on a forecast by IPM and the Company’s management of the projected revenue, expenses and investments.

The operational period that was used for the valuation is 20 years, according to the term of the Power Plant’s license. At the end of the term of the project, it was assumed that the plant will be left with a scrap value. The Required Return on Equity (R_e) used for the valuation is 9.6%.

The fair value of the Loan to Global and A.Y.A. Paris as of 31 December 2024 was assessed using the DCF method with a normative discount factor, according to the loan’s implied rating, according to the terms and conditions of the loan on the date of the valuation. The discount factor used for the valuation is 6.5%.

The fair value of the investment and the Loan to Global and A.Y.A. Paris according to the valuation accompanying the Company's financial statements as of 31 December 2024 is ILS 373,084 thousand and ILS 53,121 thousand, respectively.

In the reporting period, a net negative change in fair value of ILS 11,452 thousand was recorded, with ILS 2,006 thousand coming from a negative change in fair value adjustment according to the valuation, and ILS 9,446 thousand as a result of adjustment due to dividend revenue, interest and loan proceeds.

As of the valuation date, an increase of 0.5% in the discount rate would reduce the value of the investment and the Loan to Global and A.Y.A. Paris by approx. ILS 15.5 million and approx. ILS 0.5 million, respectively, while a decrease of 0.5% in the discount rate would increase the value of the investment as of the valuation date and the Loan to Global and A.Y.A. Paris by approx. ILS 17 million and approx. ILS 0.5 million, respectively.

For information about a lawsuit and a motion for approval thereof as a derivative suit against the Company and a discovery motion regarding approval of the transaction for the acquisition of the IPM Be'er Tuvia Power Plant and Egged's shares purchase transaction, see Note 12C below.

Note 7 – Investments in Investees and Loans (Cont.)

6) Investment in the Ramat Hovav Power Plant (Orot Yosef)

The Ramat Hovav Power Plant is an active power plant for power generation, located near Neot Hovav industrial zone, with five combined cycle production units (each including gas turbines and a steam turbine) (units 3, 4, 5, 8 and 9), and another four open cycle gas turbines (1, 2, 6 and 7), with a total capacity of ~1,194.5 MW. The plant was acquired from the Israel Electric Corporation (the "**IEC**") as part of the privatization of the generation segment, and it holds a generation license for conventional-technology power plants for a period of 15 years for units 1-5 and 20 years for units 6-9, all from 3 December 2020, which is the date the license was granted. The Ramat Hovav Power Plant Limited Partnership (the “**Ramat Hovav Partnership**”) won a tender for the purchase of the plant in June 2020, and completed the purchase in practice on 3 December 2020.

The Company indirectly holds ~16.3% of the Ramat Hovav Power Station, through an indirect holding of ~32.667% in Edeltech Hovav Management Limited Partnership, which holds 50% of the rights in the Ramat Hovav Power Station. The Ramat Hovav Power Station is a power plant with a total capacity of ~1,200 MW.

On 25 November 2020, the Keystone Fund - Ramat Hovav Partnership Limited Partnership (a partnership whose general partner is a company wholly owned by the Company and whose limited partner is the Company; hereinafter: the “**Keystone Ramat Hovav Partnership**”) and corporations from the Menora Mivtachim Group (“**Menora**”) (together with the Keystone Ramat Hovav Partnership: the “**Lenders**”), signed a (partially convertible) loan agreement with Edeltech Hovav Management Limited Partnership (the “**Interim Partnership**”), which holds 50% of the interests in the Ramat Hovav Partnership and in the general partner of the Ramat Hovav Partnership, for the partial financing of the Interim Partnership’s share in the equity required to be provided by the Interim Partnership for the financing of the purchase of the Ramat Hovav Power Plant.

The Lenders provided the Interim Partnership with a loan of approx. ILS 265 million, with the share of the Keystone Ramat Hovav Partnership in the loan totaling approx. ILS 175 million. Part of the loan provided by the Keystone Ramat Hovav Partnership (approx. ILS 103 million) is convertible into interests of a limited partner of the Interim Partnership (the “**Convertible Loan**”) and the balance thereof (approx. ILS 72 million) is not convertible (the “**Non-Convertible Loan**”). In March 2024, conversion of the Convertible Loan into 32.665% of the equity interests in the Interim Partnership, constituting (indirectly) ~16.33% of the plant, was completed. The conversion of the loan had no impact on the investment's fair value.

The loans are repaid to the Keystone Ramat Hovav Partnership as follows:

The Convertible Loan (by the conversion date) – In any distribution, an amount equal to 49% of the amounts deposited into a designated account was transferred to the Lenders (33% of the amounts to the Keystone Ramat Hovav Partnership and 16% to Menora), as payment on account of the Convertible Loan (without derogating from the conversion right as aforesaid). After conversion of the Convertible Loan, this amount will constitute an equity distribution of the interests of the Keystone Ramat Hovav Partnership as limited partner of the Interim Partnership.

Note 7 – Investments in Investees and Loans (Cont.)

The Non-Convertible Loan – The Non-Convertible Loan was repaid to the Keystone Ramat Hovav Partnership according to the payment schedule determined between the parties from the funds remaining in a designated account. The loan is repayable over a period of 15 years according to a Spitzer quarterly payment schedule. The loan is linked to the CPI and bears annual interest rate of 5-6%. If, on any payment date, the balance of the amounts in the designated account is lower than the amount scheduled for repayment on such date according to the payment schedule, the deficient amount will be deferred to the following payment date and interest will be added thereto from its due date ("**Deferred Amounts**"). The Interim Partnership will be entitled to prepay the Non-Convertible Loan together with the outstanding interest accrued on the loan principal as of that date, and together with a prepayment fee.

Insofar as funds remain in the designated account after performance of the payments and the distributions as aforesaid, the balance of the funds will be divided between the Lenders and Edeltech, according to the mechanisms set forth in the agreement.

As of 31 December 2024, following the Electricity Authority Resolution and the System Operator's proposed initiative, as detailed below, the fair value of the Company's interests in the Ramat Hovav Power Plant and of the Non-Convertible Loan was assessed in a valuation carried out by an independent external valuer from BDO Consulting Group, with recognized professional qualifications and considerable experience in the infrastructures industry. The valuation for interests in the plant's component was carried out using the free cash flow to equity (FCFE) method. The valuation was based on a forecast by the Company's management of the projected revenue, expenses and investments, which applied the Electricity Authority Resolution as released and the System Operator's proposed initiative. The operational period that was used for the valuation is according to the license periods of the power plants' various units, which are between 15 and 20 years. At the end of the term of the project it was assumed that the plant will be left with a scrap value. The cost of equity (K_e) used for the valuation is 10.5% (valuation as of 31 December 2023 – 9.75%).

The valuation of the Non-Convertible Loan was assessed using the DCF method with a normative discount factor, according to the loan's implied rating, according to the terms and conditions of the loan on the date it was received. The discount factor used for the valuation is 7.28% (previous valuation as of 31 December 2023 – 8.35%).

The fair value of the interests in the plant and the Non-Convertible Loan according to the valuation is ILS 341,404 thousand and ILS 26,041 thousand, respectively.

The valuation is attached to the Company's financial statements as of 31 December 2024. In the reporting period, a negative net change of ILS 76,734 thousand was recorded in the fair value, with the amount of ILS 23,246 thousand deriving from a negative change in respect of the fair value adjustment according to the valuation net of ILS 53,488 thousand as a result of an adjustment for revenue from dividend, interest and loan proceeds. The reduced value mainly comes from a net decrease in revenue following the Electricity Authority Resolution and the System Operator's proposed initiative, and from significant distributions in the reporting period. The lower value was offset by better-than-anticipated results of power plants in the reporting period as well as by decrease in the discount rate.

Note 7 – Investments in Investees and Loans (Cont.)

A 0.5% increase in the discount rate would have reduced the value of the investment in the interests of the Ramat Hovav Power Plant and the Non-Convertible Loan as of the date of the valuation by approx. ILS 11.6 million and approx. ILS 0.2 million, respectively. A 0.5% decrease in the discount rate would have increased the value of the investment in the interests of the Ramat Hovav Power Plant and the Non-Convertible Loan as of the date of the valuation by approx. ILS 12.3 million, and approx. ILS 0.2 million, respectively.

<u>Purchase tax</u>

With respect to an area of ~89,000 sqm, and although the Ramat Hovav Partnership holds a “confirmation of rights” document that was issued by the Israel Land Authority (the "**ILA**") confirming that the partnership holds discounted leasehold rights in relation thereto for a lease term ending in November 2069, the partnership has not signed the lease agreement with the ILA due to disputes between the partnership and the ILA, including with respect to the duration of the lease period. According to a financial specification received by the Ramat Hovav Partnership in November 2020, the partnership was required to pay the ILA permit fees of approx. ILS 218 million plus VAT (the Company’s indirect share is approx. ILS 36 million). To enable the closing on time of the transaction for the purchase of the power plant, the Ramat Hovav Partnership paid the ILA 75% of the amount required by the latter, and provided the ILA with a bank guarantee for the remaining 25%. The Ramat Hovav Partnership disputes the amount of the permit fees demanded by the ILA, including the amount that was paid thereby. In March 2021, the Ramat Hovav Partnership filed its legal claims against the assessment on which the ILA’s demand was based. In February 2022, the Ramat Hovav Partnership filed an appraisal-based administrative objection ("**First Objection**"), contesting the amount of the permit fees with a counter assessment to the one on which the ILA demand was based. On 26 February 2025 the objection was dismissed. To the best of the Company's knowledge, Ramat Hovav Partnership intends to appeal on this resolution. In addition, in August 2021, the Ramat Hovav Partnership filed an administrative objection regarding the development expenses, and in November 2021 the ILA gave a laconic response to the administrative objection regarding the development expenses, without addressing the claims at all. Consequently, the Ramat Hovav Partnership applied to the ILA requesting a pertinent response, but no such response has yet been received. In addition, in October 2024, the Ramat Hovav Partnership filed a statement of claim with the District Court against the ILA and the IEC, among other things, regarding disputes related to the structure of the transaction and the lease term. The deadline for the ILA to file its statement of defense is May 2025. In the estimation of the Ramat Hovav Partnership, and based on its legal counsel, due to the early stages of the proceeding, it is not possible at this stage to assess the outcome of the proceedings against the ILA and the amount of the permit fees that will be eventually ruled. The partnership did not record in its financial statements for 2024 a provision above the self-assessment that was paid thereby.

Shortly after the closing of the transaction for the purchase of the plant from the IEC, the Ramat Hovav Partnership submitted to the land taxation authorities a report on the value of the land to apply with respect to the agreement with the IEC, based on a self-assessment, at approx. ILS 17.3 million.

Note 7 – Investments in Investees and Loans (Cont.)

In March 2021, the land taxation authorities issued a best-of-judgment purchase tax assessment in connection with the acquisition of the plant by the partnership for approx. ILS 262 million as of 10 June 2020, which is linked to the CPI and bears interest (the Company's indirect share is approx. ILS 43 million), against which the Ramat Hovav Partnership filed an administrative objection to the purchase tax assessment. Since then and through the date of this report, the Ramat Hovav Partnership has been engaged in proceedings regarding purchase tax, including the submission of an objection and an appeal to the court. Based on the assessment of Ramat Hovav Partnership and a legal opinion received from its legal counsel on the matter, it is more likely than not that if the dispute between the parties regarding the assessment reaches a judicial resolution, the fundamental legal position taken by the partnership in its reporting to the Land Tax Authority will be upheld. Accordingly, the Ramat Hovav Partnership did not include in its financial statements for 2024 a provision above the self-assessment that was paid thereby.

In the event that the Ramat Hovav Partnership's administrative objection in connection with the permit fees is not granted and it is required to pay the ILA permit fees above the amount paid thereby as aforesaid, or in the event that the partnership's claims in connection with the purchase tax are not accepted, and it is required to pay purchase tax above the amount paid, the costs of the project will increase accordingly, and the owners have undertaken, subject to the provisions of the financing documents, to provide the Ramat Hovav Partnership with the amounts required (the Company's share of the said amounts is ~16%).

Draft resolution for public comments issued by the Electricity Authority and a proposed initiative of the System Operator

On 29 August 2024, Noga released a public engagement document regarding its intention to implement, from the start of 2025, an update to the Standard Market Price (SMP) calculation method that applies to the Hagit and Ramat Hovav power plants, to the MODEL IP price method specified in Noga's proposed initiative. No decision has yet been adopted on this matter.

On 4 September 2024, the Electricity Authority issued a draft resolution for public comments regarding the regulation that shall apply to the conventional facilities operating in the energy market via the transmission network (SMP). According to the public comments process, the Authority considered imposing supervision through the determination of a cap for price quotes on the basis of which producers are paid two supplementary protection tariffs which the producers are entitled to receive: the ex-load order tariff and the supplementary tariff. Further to the aforesaid, on 17 February 2024, the Electricity Authority released its full resolution on "Determination of a Rate for the Supplementary Tariffs for Producers Connected to or Integrated in the Transmission Network that Operate Under Title C1 and E1 of the Criteria", as adopted after the Electricity Authority public comments process (the "**Electricity Authority Resolution**" and the "**Supplementary Tariff**", as applicable).

As the Ramat Hovav and Hagit partnerships predicted, the Electricity Authority Resolution determined a higher Supplementary Tariff than the supplementary tariff that was presented in the draft resolution for public comments of the Electricity Authority.

Note 7 – Investments in Investees and Loans (Cont.)

The Electricity Authority Resolution also determined that it shall apply from the date of its publication in the Official Gazette (which was 18 February 2025), rather than retroactively from the date of release of the Electricity Authority's draft resolution for public comments, as presented in the language of the Electricity Authority's draft resolution for public comments.

It is the position of the partnerships that the Supplementary Tariffs determined in the Electricity Authority Resolution do not include all of the components required in a manner that will cover all of the costs entailed by the production of electricity, and that the Supplementary Tariffs should be applied in a manner that differs from the manner of their application as determined in the Electricity Authority Resolution. The partnerships are considering their next steps, including the option of filing a petition with the HCJ.

The Ramat Hovav and Hagit partnerships have examined the implications of approval of the Electricity Authority Resolution and the possible impact of approval of the draft resolution as a binding resolution on their projected available cash flow before and after debt service. In addition, according to the partnerships' checks, also after the amendment, there is no concern as to their ability to meet the financial covenants according to the financing agreements.

As of 30 September 2024, the Company had performed a valuation for the Ramat Hovav and Hagit power plants (which was based on a forecast by the Company's management of the revenue amounts, in which it was assumed that the Electricity Authority's draft resolution for public comments and Noga's proposed initiative will be approved with amendments) . As of 31 December 2024, after the release of the Electricity Authority Resolution, the Company has updated its valuations according to the resolution that was published.

7) Investment in the Hagit (East) Power Plant

The Hagit (East) Power Plant is a power plant located in the north of Israel, on a site with an area of approx. 170,000 sqm. The plant has 6 natural gas-powered production units with an aggregate generation capacity of approx. 660 MW. The plant has 6 generation licenses (one for each generation unit), and a power purchase agreement (PPA) with system operator Noga for a period of 15 years. The plant is an infrastructure junction for high-voltage (KV161) and extra high-voltage (KV400) electricity grids and gas pipelines.

The Company indirectly holds ~16.3% of the Hagit Power Station, through an indirect holding of ~32.667% in the Edeltech Energy and Infrastructure Hagit Management partnership, which holds 50% of the rights in the Hagit (East) Power Plant. The Hagit (East) Power Plant is a power plant with a total capacity of ~600 MW.

Note 7 – Investments in Investees and Loans (Cont.)

On 16 November 2021, the Keystone Fund – Property Management Corporation Partnership Limited Partnership (a partnership whose general partner is a company wholly owned by the Company and whose limited partner is the Company), the Company (jointly – the "**Keystone-Hagit Partnership**") and corporations from the Menora Mivtachim Group ("**Menora**") (together with the Keystone-Hagit Partnership: the "**Lenders**"), signed an investment and loan agreement (as amended on 9 December 2021 and on 25 May 2022) with limited partnerships under the control of and wholly-owned by "Edeltech" Group (the "**Borrower**") (the "**Hagit Investment and Loan Agreement**") for the partial financing of the equity required by Edeltech Group for the purchase of rights at the "Hagit (East)" Power Plant, by a limited partnership that is held in equal shares by the Edeltech Group and "Shikun & Binui" Group (the "**Hagit Partnership**").

The Lenders provided the Borrowers with 3 loans, in a sum total of approx. ILS 170 million, with the share of the Company in the above amount being approx. ILS 110 million (i.e. two thirds of the loan), out of which is a convertible loan in the sum total of approx. ILS 54 million and non-convertible loans in the sum total of approx. ILS 56 million. The loans are CPI-linked and bear interest at an annual rate of between 4.5% and 5.5%.

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, into ~32.665% of the equity interests in the partnership holding 50% of the Hagit East Power Plant, constituting (indirectly) ~16.33% of the plant. The conversion of the loan has no impact on the fair value of the investment. The loans are repaid as follows:

The convertible loan (until conversion date) – on each distribution, an amount equal to ~49% of the amounts deposited into a designated account will be transferred to the Lenders (33% of the amounts to the Keystone-Hagit Partnership and 16% to Menora), as payment on account of the convertible loan (without derogating from the conversion right as aforesaid). After conversion of the convertible loan, this amount will constitute an equity distribution in respect of the interests of the Keystone-Hagit Partnership as limited partner of the Borrower.

The non-convertible loans – the non-convertible loans will be repaid according to the payment schedules determined between the parties from the money remaining in the designated account. The loan will be repaid over a period of 15 years according to a Spitzer quarterly payment schedule. The loan bears CPI-linked interest at an annual rate of between 4.5% and 5.5%. Where, on any payment date, the balance of the amounts in the designated account is lower than the amount scheduled for repayment on such date according to the payment schedule, the deficient amount will be deferred to the following payment date and interest will be added thereto from its due date ("**Deferred Amounts**"). The Borrower will be entitled to prepay the non-convertible loans together with the interest accrued on the loan principal and not yet repaid by such date, and together with a prepayment fee. If there are remaining funds in the designated account after the repayments and distributions as aforesaid, the remaining funds will be divided between the Lenders and the Borrower, in accordance with the mechanisms established in the agreement.

In the context of the purchase of the plant, rights were also purchased for additional land with an area of ~36,000 sqm, designated for a power plant, for future development of the plant. 30,000 sqm of the said land are vacant and the remainder is used for water facilities of the IEC (vacating the area will require the construction of substitute water facilities).

Note 7 – Investments in Investees and Loans (Cont.)

In September 2022, the Hagit Partnership received a purchase tax assessment, in connection with the purchase of the project, at approx. ILS 98 million (out of which approx. ILS 12 million was paid according to a self-assessment submitted by the partnership). The Company's indirect share in the assessment amount (net of the self-assessment that was already paid) is approx. ILS 14 million. The Hagit Partnership filed an administrative objection to the purchase tax assessment, which was mostly dismissed (the Company's share in the payment is not in a material amount). In May 2024, the Hagit Partnership appealed the dismissal of the objection. At the hearing in court held in March 2025, the possibility emerged of awaiting the conclusion of a parallel proceeding whose outcome will affect the proceeding at bar. It was agreed that the parties would consider such possibility and update the court, and work on entering into a stipulation regarding this matter.

According to a legal opinion that the Hagit Partnership received from its legal advisors on the issue, it is more likely than not that, should the dispute between the parties regarding the assessment be referred to a court, the fundamental legal position taken by the Hagit Partnership in its reports to the land taxation authorities will be accepted. Therefore, the Hagit Partnership's financial statements and the valuation did not include a provision above the self-assessment that was paid.

As for the draft resolution for public comments issued by the Electricity Authority and the initiative of the System Operator, see Note 7C6 above.

As of 31 December 2024, further to the Electricity Authority Resolution and the proposed initiative of the System Operator, the fair value of the Company's rights in the Hagit Power Plant and of the non-convertible loans provided thereby, is assessed through a valuation carried out by an independent external valuer from BDO Consulting Group, with recognized professional qualifications and considerable experience in the infrastructures industry. The valuation for the plant's interests component was carried out using the free cash flow to equity (FCFE) method. The valuation was based on a forecast by the Company's management of projected revenue, expenses and investments which implemented the Electricity Authority Resolution as released and the proposed initiative of the System Operator. The operational period that was used for the valuation is according to the license periods of the power plants' various units, which are between 15 and 20 years, while at the end of the term of the project it was assumed that the plant will be left with a scrap value. The cost of equity (K_e) used for the valuation is 12% (11% at previous valuation as of 31 December 2023).

The valuation of the non-convertible loans was assessed using the DCF method with a normative discount factor, according to the loans' implied rating, based on the terms and conditions of the loans on the date it was received. The discount factor used for the valuation is 6.84%-8.39% (8%-9.38% at previous valuation as of 31 December 2023).

The fair value of the plant's interests and of the non-convertible loans according to the valuation, is ILS 104,066 thousand and ILS 25,772 thousand, respectively.

Note 7 – Investments in Investees and Loans (Cont.)

In the reporting period, a negative net change was recorded in the fair value in the amount of ILS 60,553 thousand, with the amount of ILS 1,964 thousand deriving from a positive change in respect of the fair value adjustment according to the valuation, net of ILS 62,517 thousand as a result of an adjustment for revenue from dividend, interest and loan proceeds. The increase in value is due to better-than-expected results from the power plants in the reporting period. The value increase was offset by a net decline in revenues following the Electricity Authority Resolution and the proposed initiative of the System Operator, significant disputes during the reporting period, and an increase in the discount rate.

An increase of 0.5% in the discount rate would have reduced the value of the investment in the Hagit Power Plant interests and the non-convertible loans as of the valuation date by approx. ILS 3.2 million and approx. ILS 0.2 million, respectively. A decrease of 0.5% in the discount rate would have increased the value of the investment in the Hagit Power Plant interests and the non-convertible loans as of the valuation date by approx. ILS 3.3 million and approx. ILS 0.2 million, respectively.

8) Investment in the Sorek Power Plant

As part of this project, a conventional combined cycle power plant for electricity generation based on natural gas will be built, with a total generating capacity of ~600 to 900 MW, in proximity to the Sorek A and B desalination plants and the Dan Region Wastewater Treatment Plant facility (in this section – the "**Sorek Power Plant**"). This is a BOT project for financing, construction, operation, and maintenance for a period of approx. 25 years, after which the Sorek Power Plant will be transferred to the ownership of the State of Israel. The construction of the Sorek Power Plant is expected to begin in H2/2026, with the plant expected to begin commercial operation in H2/2029.

On 18 December 2024, a group including Edeltech Ltd., Edeltech Holdings 2006 Ltd., and Menora Mivtachim Insurance Ltd. won the tender to carry out the project. According to agreements between the Company and the winning group, the Company will provide loans to finance part of the equity and guarantees to be required by the franchisee and Edeltech in connection with the winning of the tender and the construction of the plant, as detailed below. On 4 February 2025, the aforesaid group (the "**Franchisee**") signed the franchise agreement for the plant and began advancing the financial closing of the project, which is expected to take place in H2/2026. According to the terms and conditions of the franchise agreement, at the time of signing, the group provided a performance guarantee in the amount of approx. ILS 200 million, out of which the Company provided a guarantee of approx. ILS 80 million.

On 22 July 2024, a memorandum of understanding (which was amended in September 2024) was signed for collaboration between the Company and the partners of the Franchisee, whereby the Company shall provide two loans for funding part of the equity and guarantees to be required for the Franchisee and Edeltech in connection with the wining of the tender and the construction of the plant:

Note 7 – Investments in Investees and Loans (Cont.)

The first loan is a loan that will be provided to the Franchisee solely by the Company, subordinated to the senior debt of the plant, in an amount of principal equal to 40% of the required equity for the Franchisee. This loan will bear interest at a rate identical to Loan B, as detailed below, and it will be repaid from Edeltech's share of the distribution amounts only (and secured by a lien on the right to receive these amounts), provided that a distribution will be permitted according to the senior debt financing agreement of the plant, and *pari passu* with distributions to the limited partners in the Franchisee. After commencement of operation of the plant, the Company will be entitled to convert the remaining balance of this loan into rights in the Franchisee, amounting to 40% of the equity rights and 49% of the shares of the general partner of the Franchisee, subject to obtaining the necessary regulatory approvals (including approval from the Electricity Authority and the Competition Authority) and the consent of the plant construction funders. The conversion date shall be no later than the date on which the remaining loan balance for the bidder decreases to less than 20% of the original loan principal. After the commercial operation of the plant, the Company will be able to transfer the aforesaid conversion right, subject to certain conditions and restrictions. The balance of the loans that will not be converted will be repaid according to the terms and conditions determined between the parties as detailed in the memorandum of understanding. As of the reporting date, detailed loan agreements have not yet been signed.

In addition, Edeltech has been granted the right to receive a loan from the Company and Menora (in equal shares between them) to finance Edeltech's share of the equity required for the project. Their terms include an initial amount to be provided by Edeltech from its own resources, and the balance will be provided through the said loan. The principal of this loan will be CPI-linked and bear interest at varying rates between the operation period (after the first distribution in the project) and the construction period. Edeltech is entitled to notify, up to 90 days before the financial closing of the project, that it is not interested in the receipt of such loan, and therefore, there is no certainty that such loan will be provided.

Mechanisms were established in the memorandum of understanding, to protect the Company's rights as a lender.

9) Investment in Sunflower

The Company holds ~53.24% of the issued and paid-up share capital of Sunflower Sustainable Investments Ltd. ("**Sunflower**"), a public company whose shares are traded on TASE, as follows.

In 2021, an agreement was signed for the acquisition of ~45% of Sunflower's shares, from Gil Deutsch and Aharon Naftali Biram directly or indirectly through companies controlled by them (who are, indirectly through companies controlled by them, controlling shareholders of the Company and the MC) (in this section: the "**Controlling Shareholders**") and from several other sellers (the Controlling Shareholders and the other parties will hereinafter be referred to in this section as: the "**Sellers**"), where since the acquisition, the Company acquired additional shares at the TASE. As of the date of this report, the Company is the controlling shareholder of Sunflower.

Concurrently, Leumi Partners Ltd. ("**Leumi Partners**", and together with the Company: the "**Buyers**") also signed the same agreement for the acquisition of 20% of Sunflower's shares from the same Sellers, according to the same value.

Note 7 – Investments in Investees and Loans (Cont.)

Sunflower's value for purposes of the transaction was set at ILS 335 million, and the Company's share is approx. ILS 151 million .

The share acquisition agreement provides for a mechanism for additional cash consideration to be paid by the Company and Leumi Partners (each one of the Buyers will pay proportionally to its holding) conditioned that money is received from an arbitration proceeding against the Kingdom of Spain (the "Lawsuit in Spain") in which Sunflower has 50% of the rights, and according to the brackets specified below, based on the net amount collected from the Lawsuit in Spain: (a) up to ILS 10 million net collection – 100% of the amount; (b) ILS 10-25 million – 80% of the amount; (c) ILS 25-40 million – 60% of the amount; (d) ILS 40-55 million – 40% of the amount; (e) in respect of a net collection amount above ILS 55 million, the Sellers will not be entitled to additional consideration, and the payment will be made to each seller in respect of its share in the holdings in Sunflower immediately prior to the sale.

The commitment to pay the additional consideration will expire 60 months after closing date (25 April 2021), subject to the relevant buyer still holding any number of Sunflower shares on the date the funds are received in practice.

In June 2021, Sunflower reported that a judgment had been received in the Lawsuit in Spain in the amount total of approx. €47.3 million, with the tribunal in the proceeding ordering the Kingdom of Spain to pay the plaintiffs an additional amount of approx. €1.5 million for trial costs and legal fees. In February 2022, a motion was filed for enforcement of the arbitration award in Israel. As of reporting date, no date has yet been scheduled for a hearing on the motion. In addition, in November 2023, Sunflower reported that it had received the decision of the International Arbitration Institute, whereby the Spanish government's motion to cancel the arbitration award was denied, and Sunflower, together with Shikun & Binui, are entitled to the said full compensation, to be divided between them in equal shares .

Sunflower further reported that insofar as the Kingdom of Spain does not pay the amounts awarded at its own initiative, Sunflower will take action to enforce the arbitration award against the Kingdom of Spain by legal enforcement measures. To the best of Sunflower's knowledge, the enforcement proceeding may be complex and costly, and there is no certainty as to the prospects, amounts or timing of any amount collected (if any). The Company recorded a liability for the said additional consideration, which liability was calculated by weighting the probability of collection of the relevant amount from the Kingdom of Spain in the period set forth in the agreement, at approx. ILS 6.8 million, which amount is recorded in the long-term liability of the Company.

Concurrently with the signing of the share acquisition agreement, the Company signed a letter of consents in favor of Leumi Partners, whose main principles are: (1) the granting of a right to Leumi Partners to determine the identity of one of the directors appointed by the Company to Sunflower's board of directors; (2) tag-along right arrangements in the case of the sale of Sunflower shares, so long as the Company meets the Control Threshold (as defined below); (3) so long as the Company holds shares of Sunflower that confer 30% or more of the voting rights therein, or is the largest shareholder of Sunflower (the "**Control Threshold**"), the Company and corporations controlled thereby will not invest in or finance operations in the renewable energy industry (production of thermo-solar, PV or wind energy and facilities for storing energy from such sources), in Israel or worldwide, other than through Sunflower.

Note 7 – Investments in Investees and Loans (Cont.)

According to this commitment, on 30 September 2021, the Company transferred to Sunflower its holdings in Helios Renewable Energy 1, Limited Partnership ("**Helios**"), which holds several corporations that own photovoltaic facilities for generation of ~30.8 MW of electricity, in consideration for an amount equal to the acquisition price plus the related costs incurred by the Company in connection with the transaction.

In the reporting period, the Company exercised marketable options of Sunflower for approx. ILS 6 million, and its holding rate of Sunflower increased to 53.24%.

On 28 January 2024, Sunflower announced the closing of a transaction for the acquisition of rooftop solar projects in Israel with a total capacity of ~13 MW, between a subsidiary thereof and E.D.I. Energy Ltd. and subsidiaries owned thereby. As consideration, Sunflower's subsidiary will pay approx. ILS 4.6 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 a rate of ~25% of the issued and paid-up share capital of the subsidiary.

On 12 March 2024, Sunflower announced that a subsidiary of Sunflower had engaged with Mivne Real Estate (K.D) Ltd. in an agreement for the sale of 101 photovoltaic facilities on roofs with a total capacity of ~5 MW, including all of the rights in connection therewith, in consideration for approx. $78 million plus lawful VAT, and for which Sunflower recorded capital gain of approx. ILS 21.5 million.

On 24 January 2025, Sunflower engaged in an agreement with two third-party owned companies, in a set of agreements for the purchase of the first phase of a portfolio of income-producing solar systems in Poland, with a capacity of ~20 MW, for a consideration of approx. €15.7 million. The systems are not subject to financing agreements, and out of the total systems, those with a capacity of 15 MW are eligible for a CPI-linked guaranteed income for the electricity generated therefrom, according to Feed-in Tariff tenders, for a period of up to 15 years. The systems constitute the first phase in the acquisition of a solar portfolio with a total capacity of up to 107 MW. Subject to due diligence to the satisfaction of Sunflower, and the signing of binding agreements for their acquisition, the second phase is expected to include 40 MW, and the third phase is expected to include 47 MW during 2025. Upon the closing of the transaction, if closed, Sunflower's total current installed capacity will double, and its portfolio in Poland will triple.

Sunflower has a portfolio of projects under development in the U.S. In the reporting period, one of Sunflower's projects required to provide an additional bank guarantee of $4.2 million as part of the Authority operator's request to periodically increase guarantees. In January 2025, Sunflower's board of directors made the decision not to invest significant additional amounts in the project, and as a result, the existing guarantees totaling approx. $4.9 million were forfeited and Sunflower recorded a loss of approx. ILS 18 million in its financial statements due to the forfeited guarantees. Sunflower is working to find a buyer or investor for the partial or full sale of its projects under development portfolio in Connecticut, Texas, and South Carolina.

As of 31 December 2024, the fair value of Sunflower was determined according to its quoted price on TASE.

Note 7 – Investments in Investees and Loans (Cont.)

For details regarding a shareholder’s motion for approval of a derivative suit against the Company, the Company’s MC, the MC’s controlling shareholders and officers and directors of the Company, which the court approved its summary dismissal without prejudice in February 2025 further to the agreed motion for uncompensated withdrawal, see Note 12C.

10) Investment in Cinturion

As of reporting date, the Company holds ~30% of the shares of Cinturion Corp. Ltd. (“**Cinturion**”), which is engaged in the development of a fiber optic network project between Europe and India through the Middle East.

In December 2020, the Company signed an agreement for the acquisition of 25% of the Cinturion's shares, where throughout the years, several amendments to the agreement were signed, such that as of reporting date, the Company holds ~30% of Cinturion's shares, and has invested a total of approx. $5,500 thousand for such shares. According to an arrangement signed between the Company and Cinturion on 27 February 2023, it was agreed that the Company has fulfilled all of its investment obligations in Cinturion, and therefore, is not required to invest any additional amount over and above the amounts that have been invested thereby to date.

The Company’s management estimates that the investment cost reflects the fair value of the investment as of reporting date.

As of reporting date, the project is still at the stage of planning, preparation engagement in contracts and receipt of regulatory approvals. The project is subject to various regulations that impact its timetables, and is also dependent on geopolitical developments in the Middle East, including the Swords of Iron War, which has affected the completion of approval processes and engagements in the Gulf countries, and the ability to advance and finalize contracts in areas where subsea cables have become vulnerable due to the war.

Note 8 – Short-Term Credit

A. Composition

As of 31 December 2024

	Principal amount (ILS in thousands)	Interest rate
Commercial paper (CP) Series A	110,000	Bank of Israel interest rate plus 0.4% (until 30 June 2024 similar to 2023)
Commercial paper (CP) Series B	77,500	

As of 31 December 2023

	Principal amount (ILS in thousands)	Interest rate
Commercial paper (CP) Series A	110,000	Bank of Israel interest rate plus 0.65%
Commercial paper (CP) Series B	77,500	Bank of Israel interest rate plus 0.6%

B. Further Details

a. Commercial paper (CP) Series A (unlisted in TASE)

Issue Date: December 2022

Credit Amount: ILS 110,000 thousand as of 31 December 2024 and 31 December 2023

Interest and linkage terms	Repayment dates	Collaterals and pledges	Further details
Bank of Israel interest rate plus a margin of 0.65% per year. Starting from 30 June 2024, Bank of Israel interest rate plus a margin of 0.4%.	A one-year term, which can be extended by additional one-year periods, up to a total 5 years from initial issue date, at the discretion of the Company and with the consent of the investors. Either the purchasers or the Company may shorten the term of the CP by providing 7 business days' prior written notice.	No assets have been pledged to secure the CP.	Grounds for immediate repayment have been established, as is customary in agreements of this type. No financial covenants have been set.

Note 8 – Short-Term Credit (Cont.)

b. Commercial paper (CP) Series B (unlisted in TASE)

Issue Date: March 2023

Credit Amount: ILS 77,500 thousand as of 31 December 2024 and 31 December 2023

Interest and linkage terms	Repayment dates	Collaterals and pledges	Further details
Bank of Israel interest rate plus a margin of 0.6% per year. Starting from 30 June 2024, Bank of Israel interest rate plus a margin of 0.4%.	A one-year term, which can be extended for additional one-year periods, up to a total of 5 years from the initial issue date, at the discretion of the Company and with the consent of the investors. Either the purchasers or the Company may shorten the term of the CP by providing 7 business days' prior written notice.	No assets have been pledged to secure the CP.	Grounds for immediate repayment have been established, as is customary in agreements of this type. No financial covenants have been set.

Note 9 – Accounts Payables

	31 December	
	2024	2023
	ILS in thousands	
Liabilities to suppliers	107	93
Government institutions	20	106
Dividend payable	19,700	15,000
Expenses payable (primarily interest payable)	5,292	6,682
Related Parties	-	1
	25,119	**21,882**

Note 10 – Non-Current Liabilities

A. Composition

As of 31 December 2024:

	Par Value	Interest Rate and Linkage Mechanism	Balance	Balance net of current maturities
	ILS in thousands	%	ILS in thousands	
Series A Bonds – see Section B below	586,250	Fixed annual interest at the rate of 0.75%, linked to the CPI	645,262	588,720
Series B Bonds – see Section C below	300,000	Fixed annual interest at the rate of 5.88%	296,788	296,788

As of 31 December 2023"

	Par Value	Interest Rate and Linkage Mechanism	Balance	Balance net of current maturities
	ILS in thousands	%	ILS in thousands	
Series A Bonds – see Section B below	636,500	Fixed annual interest at the rate of 0.75%, linked to the CPI	675,352	620,682
Credit from financial institutions from the Menora, Ayalon and Shlomo Group – see Section D below	-	Bank of Israel interest rate plus 3.61%	187,500	

Note 10 – Non-Current Liabilities (Cont.)

B. Series A Bonds:

Date of Issue of the Bonds	Par Value of the Bonds (ILS in thousand)	Additional Terms and Conditions			
		Interest and Indexation Terms	Maturities	Collateral and Security Interests	Financial Covenants
5 December 2021 (ILS 450 million) and expansions in July 2022 (ILS 200 million) and in December 2023 (ILS 20 million)	586,250	Fixed annual interest at the rate of 0.75% (linked to the CPI). Payable twice a year on 30 June and 31 December in each of the years 2022 to 2031 (inclusive).	9 annual payments, with the first payment paid on 31 December 2023 – 5% of the par value of the bonds. The next two payments will be made on 31 December of each of 2024 and 2025 – 7.5% of the par value of the bonds for each payment, four additional payments will be made on 31 December of each of the years 2026 to 2029 – 12.5% of the par value of the bonds for each payment, and two additional payments will be made on 31 December of each of 2030 and 2031 – 15% of the par value of the bonds for each payment.	The bonds are not secured by any charge or other collateral. The Company undertook that as long as the bonds are not repaid in full, it will not create a general floating charge on all its existing and future assets and rights in favor of any third party, unless certain conditions are satisfied as specified in Section 4.6.2 of the deed of trust.	Equity covenant: The Company's total equity will not be less than ILS 430 million. Debt-to-total assets ratio covenant: The ratio between net financial debt and total assets will not exceed 57.5%. NAV covenant: The fair value of the Company's assets, net of the Company's liabilities will be no less than ILS 430 million. Equity-to-total assets ratio covenant: The ratio between the Company's equity and the Company's total assets, will not be less than 22.5%. As of reporting date, the Company complies with the covenants specified in the deed of trust.

Note 10 – Non-Current Liabilities (Cont.)

C. Series B Bonds:

Date of Issue of the Bonds	Par Value of the Bonds (ILS in thousand)	Additional Terms and Conditions			
		Interest and Indexation Terms	Maturities	Collateral and Security Interests	Financial Covenants
17 December 2024 and expansion in February 2025 (after the reporting date)	300,000 and after the expansion 450,000	Fixed annual interest at the rate of 5.88%. Payable twice a year on 30 June and 31 December in each of the years 2025 to 2032 (inclusive).	The principal of the Series B Bonds is repaid in 6 annual payments, with the four first payments paid on 30 June of each of the years 2027 to 2030 (inclusive) – 5% of the par value of the bonds each year. The next two payments will be made on 30 June of each of 2031 to 2032 (inclusive) – 40% of the par value of the bonds each year.	The bonds are not secured by any charge or other collateral. The Company undertook that as long as the bonds are not repaid in full, it will not create a general floating charge on all its existing and future assets and rights in favor of any third party, unless certain conditions are satisfied as specified in Section 4.6.2 of the deed of trust.	Equity covenant: The Company's total equity will not be less than ILS 1.1 billion. NAV covenant: The fair value of the Company's assets, net of the Company's liabilities will be no less than ILS 1.1 billion. Equity-to-total assets ratio covenant: The ratio between the Company's equity and the Company's total assets, will not be less than 25%. As of reporting date, the Company complies with the covenants specified in the deed of trust.

Note 10 – Non-Current Liabilities (Cont.)

D. Credit from Financial Institutions of the Menora, Ayalon and Shlomo Groups

Date of provision of the line of credit: October and November 2023.

Amount of the credit: ILS 187,500 thousand as of 31 December 2023. As of 31 December 2024, no amounts were withdrawn from the facility. Total scope of facility ILS 375,000 thousand.

Additional Material Terms and Conditions			
Interest and Indexation Terms	**Payment Due Dates / Notes**	**Collateral and Security Interests**	**Additional Details**
Bank of Israel interest rate plus a margin that is calculated as the higher of: the average Series A bond spread data for the three trading days prior to the withdrawal date, plus 0.5%, or 3%. As of 31 December 2023, the margin is 3.61% per year.	Any loan to be taken out of the line of credit will be provided for a term of 6/12 months, per the Company's request. The principal of every loan will be repaid in one installment, at the final due date of such loan. The Company has the right to prepay the loans, subject to certain conditions.	A first-degree, unlimited charge in favor of the lenders on the following assets: All rights of the Company and corporations controlled by it under the Ramat Hovav loan agreement, the Hagit loan agreement, its rights to receive funds due to it from the Drive Group ("Operator") and from VID, its rights in 431 Ways (a company of the Drive Group). A first-degree, unlimited charge on the account in which the funds to be received in respect of the aforesaid assets will be deposited. First-degree, unlimited fixed charge and collateral assignment on the share of Sunflower.	The line of credit agreement includes causes for acceleration as is standard in line of credit agreements, primarily in relation to the Company and to corporations included in the collateral, and some in relation to additional corporations of the Group (mainly Egged).

Note 11 – Taxes on Income

A. Corporate Taxation in Israel:

1) Measurement of results for tax purposes
   The Company's results for tax purposes in Israel are measured in nominal ILS values.

2) Tax rates
   The Company's income in Israel is subject to the regular corporate tax rate.
   The corporate tax rate applicable to the Company in Israel is 23%.

B. Carryforward Losses

Deferred tax assets related to carryforward losses are recognized to the extent that the related tax benefit is expected to be utilized against future taxable income.

The balances of carryforward losses for which no deferred taxes were recognized as of 31 December 2023 and 2024 amount to approx. ILS 50,584 thousand and approx. ILS 69,229 thousand, respectively. The Company does not recognize deferred taxes for these loss balances as their exercise is not expected in the foreseeable future.

C. Tax Assessments

The Company was incorporated in 2019 and has not yet been assessed for income tax.

D. Value-added tax

The Company is a VAT authorized dealer.

E. A Tax Arrangement under the Report of the Committee for the Promotion Tradable Infrastructure Investment Funds (legislation not yet completed)

The report its published, as detailed in Note 1A above, the Committee recommended to apply a unique tax regime to infrastructure investment funds, based on a direct taxation model. According to this model, the taxable income of an infrastructure investment fund that is distributed to the shareholders of the fund will be considered the taxable income of the shareholders of the fund. Additionally, the tax liability will be created at the time of actual distribution to shareholders, and at that time, TASE members will also withhold tax. Any income not distributed as dividends within the period set in the Committee's recommendations will be subject to tax according to the regular two-stage taxation model applicable to companies. Exceptions were also set, such as a 70% tax rate in certain cases. It should be clarified that the Committee's recommendations have not yet been enacted and therefore the arrangement does not yet apply to the Company.

Note 11 – Income Taxes (cont.)

F. Deferred Taxes

The composition:

	Net change in fair value of investments in Investees measured at fair value through profit and loss	Total
	ILS in thousands	
Balance as of 1 January 2023	67,754	67,754
Changes carried to profit and loss	121,594	121,594
Balance as of 31 December 2023	**189,348**	**189,348**
Changes carried to profit and loss	(5,259)	(5,259)
Balance as of 31 December 2024	**184,089**	**184,089**

G. Statutory Tax Rate

	The year ended 31 December 2023		
	2024	2023	2022
	ILS in thousands		
Profit before income taxes	188,100	565,475	140,185
Statutory tax rate	23.0%	23.0%	23.0%
Tax calculated at statutory tax rate	43,263	130,059	32,243
Tax losses for which deferred taxes were not recognized during the period	20,480	21,327	13,981
Exempted income	(54,800)	(58,097)	(44,487)
Expenses, amortizations and other adjustments for tax purposes	(14,202)	28,305	43,709
Income taxes expenses (income)	**(5,259)**	**121,594**	**45,446**

Note 12 – Engagements and Contingent Liabilities

A. Engagements:

1) Management agreement

On 12 September 2019, the Company entered into a management agreement with the MC the principles of which are as follows:

a. The MC will make available to the Company management services that include the following services:

1. Identification of investments for the Company, examination of their economic feasibility and conduct negotiations for entry into investment agreements.
2. Management of investment disposals.
3. Provision of economic and financial advice for the performance of investments by the Company.
4. Advice to the Company in connection with entry into investment agreements and other agreements related to the Company's investments.
5. Support, oversight and management of the Company's investments and reporting on the condition of investments.
6. Support and handling of agreements for the sale or disposal of investments made by the Company.
7. Advice and assistance to the Company with respect to capital raising and debt financing.

The management services will be provided by anyone on behalf of the MC, and particularly by persons appointed thereby as directors of the Company, Chairman of the Board, CEO of the Company, CFO and General Counsel of the Company.

b. The MC itself will bear the following costs at its own expense:

1. Costs of engagement of the employees and service providers retained thereby;
2. Costs of the offices of the MC;
3. Costs of capital raising prior to the listing of the Company's shares on "**TASE**
4. Costs of communications and information technology (IT) services, with the exception of costs deriving from the Company being a public fund;
5. Insofar as the Company's formation expenses (as defined in the management agreement) exceed ILS 2 million, the MC itself will bear, at its own expense, the costs exceeding such amount, with the exception of capital raising costs in the context of the public offering.

It is clarified that the MC will not bear the costs of engagement of outside consultants, service providers and contractors (such as lawyers, accountants, financial consultants, brokers, etc.) entailed in the performance of transactions or in the examination of transactions for the Company. Such costs will be imposed on the Company and paid thereby directly to the consultants, service providers and contractors.

Note 12 – Engagements and Contingent Liabilities (Cont.)

c. The term of the management agreement:

1. The management agreement entered into effect on 18 February 2019 and will remain effective until the date occurring seven years after the date of listing of the Company's shares on TASE (the "**Initial Term of the Agreement**").

2. After the end of the Initial Term of the Agreement, the Company may extend the term of the management agreement, on the same terms and conditions, by additional periods of up to seven years each, by giving written notice to the MC at least 6 months before the end of the term of the management agreement. In this regard, it is clarified that as long as the MC is defined as a controlling shareholder of the Company, the agreement with the MC will be approved in accordance with the law from time to time, *inter alia* in accordance with the Companies Regulations (Relaxations for Transactions with Interested Parties), 5760-2000.

3. The management agreement specifies a list of agreed-upon events in which each of the parties may terminate the agreement without any prior notice and without any liability to pay consideration in respect of a prior notice period.

4. In addition to the foregoing, the MC may terminate the agreement in the event of: (a) Adverse change in the terms and conditions of the engagement with it, during the 12-month period following the date of the adverse change in the terms and conditions; (b) The Company will not qualify for tax benefits given to infrastructure investment funds (the "**Regulation**"), at any time starting 6 months after the date on which such provisions are put in place.

5. Furthermore, the management agreement sets forth provisions in relation to a case where, at any time when the agreement comes to an end, the agreement is not renewed for an additional 7-year period including: a prior notice provision (during which the MC is entitled to all the payments and rights due thereto under the agreement, but does not provide actual management services to the Company, unless and to the extent that the Board so requests, a 50% reduction of the exercise price of the options and the MC's right to receive compensation from the Company.

6. In the event of appointment of a Company CEO who was not recommended by the MC before the lapse of 14 years from the date of the Company's Public Offering, the MC will be entitled to such payments as specified in Section 5 above, as if a resolution has been adopted not to extend the term of the management agreement with the MC before the lapse of 14 years from the date of the Public Offering. In this section, "**Public Offering**" – The listing of the Company's shares on TASE, regardless of whether it is done simultaneously with the issue of Company shares to the public or done by way of listing only.

7. In the event of appointment of a Company CEO who was not recommended by the MC at any time, the Company will bear the costs of employment of the CEO. Such costs will not be deducted from the management fees to be paid to the MC under the agreement but rather be additional thereto.

Note 12 – Engagements and Contingent Liabilities (Cont.)

d. Consideration:

1. In consideration for the management services, the Company will pay annual management fees to be derived from the value of the Company's assets as presented in the accounts, including cash and cash equivalents, calculated on a periodic basis, in accordance with the balance of assets included in the most recently released (audited or reviewed) financial statements of the Company for the same period, at an annual rate of 1%, plus VAT.

2. In this respect, it is clarified that insofar as any asset is not presented in the Company's statement of financial position at fair value, but the notes to the financial statements do present the fair value of the asset, the value of such asset will be calculated according to the fair value as presented in such notes. To the extent that the notes to the financial statements do not present the fair value of the asset either, the Company and the MC will make, in agreement, the required adjustments in the management fee calculation in order to lead to an economic result that is identical or proximate as possible to the calculation made in a case where the financial statements specify the fair value of the asset. In the event of disagreement between the parties, the parties will defer to an agreed accounting arbiter whose decision will be binding on the parties.

3. The aforementioned management fees will be paid in advance to the MC every quarter, by the 5th day of the first month of every such quarter, calculated according to a rate of 1% divided by four and according to the Company's assets as presented in the most recent audited or reviewed financial statements of the Company.

4. Furthermore, in any case where the Company allots shares, either in the context of a public offering or a private placement, the Company allots to the MC, without any further consideration, options that are exercisable, in whole or in part, at any time during a seven-year period from allotment date, to purchase Company shares, at a rate equal to 5% (five percent) of the total shares allotted in the allotment. Subject to such adjustments as specified in the agreement, every option is exercisable into one share of the Company. The exercise price of such options is the same price as specified in such private placement, or in a public offering, the price specified in the immediate report released by the Company in connection with the results of the offering and will in no case fall below the amount to be determined by TASE or another authority as the minimum price for the exercise of any option into an underlying share.

   Upon exercise of the options, the underlying shares granted will be equal in rights to the common shares of the Company and entitle the MC to all the rights conferred upon holders of common shares of the Company.

   The conversion of options into Company shares will be carried out according to the "net exercise by shares" (cashless) method.

Note 12 – Engagements and Contingent Liabilities (Cont.)

5. As to key personnel, it was agreed that Mr. Navot Bar, would serve through a company he controls as a full-time (100%) CEO of the Company, and Mr. Roni Biram would serve through a company he controls as Chairman of the Board of the Company at 40% of full-time employment, for minimum terms of engagement, during which the key personnel may not terminate their agreements without prior notice at least 6 months in advance.

6. The management agreement further stipulates that during the term of the agreement and for six months after the date on which it expires, the MC and its controlling shareholders (only insofar as the controlling shareholders themselves provide the Company with management services under the agreement), will not compete, either directly or indirectly, with the Company in its line of business. Notwithstanding the aforesaid, in a case where the MC gives notice of termination of the agreement (as specified above) or in a case where the Company chooses not to extend the term of the agreement, an additional six-month period after the date on which the agreement comes to an end will not be required. For the purpose of this section, the Company's line of business is the investment in assets in the Infrastructure Sector (as defined in the Regulation) in Israel at amount exceeding ILS 30 million per investment.

   Notwithstanding the foregoing, in a case where the Company, through its competent organs (a resolution by the audit committee approved by the Board), decides not to partake in or declines a business opportunity or an offer made thereto (the "**Offer**"), the MC or any of its controlling shareholders may, either directly or indirectly, accept the Offer. The provision of this section will apply to the controlling shareholders of the MC and to corporations of which they alone are controlling shareholders (i.e., this provision will not apply to corporations of which the controlling shareholders of the MC are controlling shareholders together with others). The management agreement does not include a mechanism of periodic reporting to the Company by the MC's controlling shareholders regarding their investments in the Infrastructure Sector as noted.

7. To the extent that anyone on behalf of the MC receives payment or compensation for serving as a director in corporations held by the Company, such payments and compensation will belong to the MC (over and above the management fee).

2) Additional agreements in connection with the Company's investments – See Note 7.

Note 12 – Engagements and Contingent Liabilities (Cont.)

B. Guarantees:

1) Drive Group guarantee

As part of the acquisition process, the Company provided a guarantee in favor of the franchisee to cover a payment evasion guarantee of the Road 6 operator (the guarantee covers under-collection due to payment evasion in excess of a rate determined by agreement, if any), which was endorsed in favor of the security agent (the representative of the lenders of the project franchisee) to ensure collection by Road 6 in an amount that may not exceed U.S. $10 million per year. The guarantee was provided by all Road 6 shareholders jointly and severally, and it is effective from the date of provision thereof to the end of the term of the franchise and will be renewed in any case in which it is enforced.

The Road 6 operator pays its shareholders a fee at the rate of 5% of the amount of the guarantee they provide to the franchisee in respect of a payment evasion guarantee. The fee is linked to changes in road traffic volumes.

2) Desalination Plant guarantees

Under the franchise agreement, VID was required to provide an operation guarantee for the duration of the term of operation of the Desalination Plant in Ashkelon and until the end of the term of the agreement. For its share in the operation guarantee, the Company has provided, as of reporting date, guarantees of approx. ILS 16 million (including indexation as of the end of 2024) in favor of the State. Furthermore, in July 2023 (4 years prior to the end of the term of the agreement), VID provided the State with a final inspection guarantee in the amount of approx. ILS 63 million (approx. ILS 47.5 million, linked to the CPI as of the beginning of the operational period), which will be effective for 12 months as of the end of the term of commercial operation (the "**Final Inspection Guarantee**"). The Company's share is 50% of the amount of the Final Inspection Guarantee, i.e., approx. ILS 33 million, including indexation, as of the end of 2024. In addition, the Company provided bank guarantees to the bank financing the Desalination Plant in respect of debt service funds, where in 2024, according to the decrease in the banking debt balance, the financing bank approved a gradual reduction of the bank guarantees, such that as of 31 December 2024, the outstanding guarantee amount is ILS 1.5 million.

3) Guarantees in the context of the Egged transaction

In the context of the Egged transaction, the Company provided a letter of guarantee in favor of the lending bank, which is limited to an amount of ILS 30 million. After the reporting date, another limited guarantee was provided, in the amount of ILS 20 million to the banks financing the option. Furthermore, the Company granted a letter of guarantee to secure its obligations under Egged's share purchase agreement, which is effective until the sale option of Egged's shareholders comes to an end.

4) Guarantees regarding the Sorek Power Plant

As part of the transaction for the provision of loans to finance part of the equity and guarantees required by the concession holders and Edeltech Group for the financing, construction, operation, and maintenance of the new power plant in Sorek, the Company provided a tender guarantee of ILS 40 million. The tender guarantee, which was provided in September 2024, was canceled after the balance sheet date, and in its place, a guarantee of ILS 80 million was provided.

Note 12 – Engagements and Contingent Liabilities (Cont.)

5) As collateral for the provision of part of the bank guarantees, the Company has bank deposits that are pledged to the bank. As of 31 December 2024, the amount of the pledged deposits totals approx. ILS 1 million.

C. Pending Suits – Suits Against The Company

1) In August 2022, a suit was brought to the Tel Aviv-Yafo District Court by a shareholder of the Company, along with a motion for certification thereof as a derivative suit, against the Company, the Company's 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, and in connection with a transaction for acquisition of shares (indirectly) of IPM Be'er Tuvia Ltd. On 11 February 2025, the court granted the petitioner's motion which was filed with the consent of the Company and the other respondents, to withdraw the motion for certification of the derivative suit, with no compensation, and the case was closed.

   On 30 January 2023, a motion for discovery and inspection of documents under Section 198A of the Companies Law was filed with the Tel Aviv-Yafo District Court by a shareholder of the Company, against the Company and the MC, prior to the filing of a motion to certify a derivative suit. The petition concerns the fact 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. The petitioner alleges that since the MC and its controlling shareholders have a conflict of interest with respect to raising/financing rounds and investments, the approval of raising/financing rounds and investments is subject to the provisions of the Companies Law that pertain to the approval of transactions with Interested Parties (and in particular, the raising rounds and investments – to the extent amounting to an irregular transaction – are subject to approval by the general meeting of the shareholders of the Company), preventing the MC and its controlling shareholders to be in a conflict of interest, and to fully disclose such conflicts of interest. In his petition, the petitioner challenges two specific transactions that were made by the Company: The transactions for acquisition of the IPM Be'er Tuvia Power Plant and for acquisition of Egged's shares. In the response of the Company and the MC, the respondents emphasized 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 an answer to the response to the motion by 2 June 2024. The date for the preliminary hearing has been postponed, and no new date has been set. Given the preliminary stage of the proceedings, the prospect thereof cannot be estimated at this point.

2) 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-Yafo District Court (Economic Department) against the Company, the Company's MC, the MC's controlling shareholders and officers and directors of the Company, in which various claims were raised in connection with the issue of the Company's shares in February 2024. The lawsuit claims that the Company practiced minority oppression, was not duly approved, and breached the fiduciary duty and duty of care of the 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.

Note 12 – Engagements and Contingent Liabilities (Cont.)

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 approx. ILS 14 million and ILS 150 million according to one calculation method, and approx. ILS 65 million according to another calculation method. Given the preliminary stage of the suit, the prospect thereof cannot be estimated at this point.

D. Pending Suits – Suits Against Investees

1) Egged

On 8 December 2022, a lawsuit and a motion for class certification was filed against Egged with the Tel Aviv District Court (the "**Action**") by three litigants, who were previously members of the Egged cooperative society (the "**Cooperative Society**"). The Action asserted, *inter alia*, that the Cooperative Society (and Egged as its successor) had breached its duty of loyalty towards the retiring cooperative members by failing to allot Egged shares to all class members with the same terms and conditions as those allotted to persons who were members of the society on the date of Egged's transformation from a cooperative society to a company. Alternatively, the Action asserted that the society breached the duty of loyalty to its members, and following the restructuring, the Egged company must bear the consequences of the breach. In October 2023, the Action was summarily dismissed without prejudice, and further to the appeal that was filed with the Supreme Court in August 2024, the Supreme Court ruled, with the consent of the parties, that the District Court's decision regarding the summary dismissal without prejudice of the above proceeding shall be revoked, and the proceeding remanded to the District Court. The remedy sought in the Action is, *inter alia*, the allotment of 100 Egged shares to each of the class members and requiring Egged to redeem these shares, or alternatively pay financial damages of approx. ILS 915 thousand to each of the class members, with the possibility that the Group may appoint thousands of people. In the estimation of Egged's counsel, the chances of the amended certification motion being granted seem low.

In August 2024, a suit and a motion for class certification were filed against Pension Fund of Egged Employees Ltd. ("**PFE**") with the District Labor Court in Haifa, by three plaintiffs who are pensioners of Egged. The suit concerns a rehabilitation agreement that was signed between Egged and the State in 1989, under which Egged undertook, according to the petitioners, *inter alia*, to temporarily reduce salaries for 4 years. The petitioners argue that the temporary reduction lasted beyond the 4 years, without proper disclosure, leaving funds with Egged and PFE, unlawfully. The sought remedy in the suit includes, *inter alia*, the sum approx. 785 million. According to Egged's management, based on the opinions of its legal advisors, the chances of the suit being accepted are less than 50%.

It is also noted that several suits, class action claims, and motions for class certification have been filed against Egged on various issues, including tort claims, accessibility claims, and various demands from local authorities, all in amounts that are immaterial to the Company.

Note 12 – Engagements and Contingent Liabilities (Cont.)

2) IPM

On 23 February 2024, Alma Infrastructure KD Ltd. (“**Alma**”) filed a declaratory suit and a motion for provisional remedies with the Tel Aviv-Yafo District Court (Economic Department) against Triple-M Power Plants Ltd. (“**Triple**”), I.P.M. Holdings 2016 Ltd. (“**IPMH**”), the Company and Alon Blue Square Israel Ltd. (“**Blue Square**”) in connection with the amendment of Triple's articles of association pertaining, *inter alia*, to the rights to appoint directors.

The parties completed the filing of their positions in the motions for provisional remedies. On 20 March 2024, a hearing on the motions was held, and the parties were sent to discuss amongst themselves and try to reach mutual agreements that would obviate the proceedings, with no preliminary remedy nor provisional remedy being issued in the matter. Given the preliminary stage of the proceedings, the prospects of Alma’s suit and Blue Square’s suit cannot be estimated at this point, but it is noted, with due caution, that no pecuniary remedies are sought against the Company in the context of this suit.

Note 13 – Capital Reserve and Retained Earnings

A. Composition of the Share Capital:

	Balance as of 31 December 2024	
	Registered	Issued and paid-up
	Number of shares (in thousands)	
Common shares of par value ILS 1 each	1,000,000,000	187,053,883

	Balance as of 31 December 2024	
	Registered	Issued and paid-up
	Number of shares (in thousands)	
Common shares of par value ILS 1 each	1,000,000,000	152,497,683

B. Equity Issues During the Reporting Periods

	Shares		ILS in thousands	
Date	Allocated Shares	Cumulative Balance	Consideration for Shares	Cumulative Consideration
Year 2023	-	152,497,683	-	1,338,200
Year 2024 (*):	34,556,200	187,053,883	176,237	1,514,437

(*) In 2024, gross revenue for package issued

Note 13 – Capital Reserve and Retained Earnings (Cont.)

Issues in 2024:

On 12 February 2024, the Company completed a capital raising round by way of public offering of shares of the Company and Series 2 Warrants exercisable into common shares of the Company, with each warrant exercisable into one common share (the "**Warrants**"), from the day of listing on TASE to their last date for exercise on 11 February 2026 (inclusive).

The Company allotted a total amount of 34,556,200 common shares (at ILS 5.1 per share) and 17,278,100 Series 2 Warrants (at an exercise price of ILS 6.1 per share).

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

For information regarding the options granted to the MC in the management agreement, see Note 13E below.

C. Series 1 Warrants

On 11 May 2023, 12,250,000 of the Company's Series 1 Warrants expired.

D. Series 2 Warrants

For information regarding the issue of the Company's Series 2 Warrants, see Note 13B above.

E. Options to the MC

According to the management agreement between the Company and the MC, during every issue, the MC is granted with non-marketable options amounting to 5% of the total shares granted in such issue, at an exercise price equal to the issue price, adjusted for dividends. The options will be valid for 7 years from the date of issue, see also Note 12 above.

In 2024, the Company granted the MC 1,149,648 non-marketable options and 578,162 non-marketable options to the MC's employees, at an exercise price of ILS 5.1 per share.

The options constitute 5% of the common share capital issued at each of the times, and they are exercisable into one common share at the issue price through a net exercise mechanism ("Cashless"). As of the reporting date, the MC was issued 9,352,694 options that are measured by fair value.

The fair value of the options is estimated by an independent external valuer using the B&S model, as follows:

Grant Date	Grant Date	Fair Value (ILS in Thousands)	Exercise Price	Option Term	Volatility	Risk-Free Interest
Issuance of rights July 2022	3,007,605	6,895	(*)6.7	6.92 years	23%	2.71%
February 2024	1,727,810	2,794	5.1	6.93 years	23%	3.97%

(*) Original exercise price, subject to adjustments for any dividend distributions in accordance with the management agreement.

(**) The fair value measurement is based on the issue price of the shares for which the options were granted.

Note 13 – Capital Reserve and Retained Earnings (Cont.)

F. Dividend:

Below are the details of dividend distributions made by the Company from 1 January 2023 until the report publication date:

Distribution Year	Distribution Amount (ILS in Thousands)	Payment Date
2022	40,000	28.4.2022
2023	45,000	February 2023, April 2023, July 2023 and October 2023
2024	74,300	January 2024, April 2024, July 2024 and October 2024
(*) 2025	19,700	15.1.2025

*On 15 January 2024, the Company distributed a total dividend of ILS 19,700 thousand, which was approved by the Board on 31 December 2024. On 26 March 2025, concurrently with the approval of the financial statements for the year 2024, the Company's Board approved an additional dividend distribution of approx. ILS 20 million.

In 2023, the Company's Board approved a dividend policy for the Company, and transition to a quarterly distribution each year, such that the Company will distribute dividends in January, April, July, and October each year, subject to legal and business considerations. It is emphasized that, in any event, the dividend amount will be assessed on an annual basis to ensure that it is not less than the minimum amounts required by the Company's dividend policy as stipulated in its articles of association (50% of the taxable income each year, excluding capital gains from the sale of infrastructure assets, and not exceeding the cash flow from the assets held by the Company during that period, net of its expenses).

On 27 March 2024, concurrently with the approval of the 2023 financial statements, the Company's Board approved three dividend distributions, in each one of the months of 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, 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.

Note 14 – Earnings per Share

A. Basic

The basic earnings per share is calculated by dividing the earnings attributable to the shareholders of the Company by the weighted average number of common shares issued.

	The year ended 31 December		
	2024	2023	2022
	ILS in thousands		
Earnings attributable to the shareholders of the Company	**193,359**	**443,881**	**94,739**
Weighted average number of common shares issued	**182,994,002**	**152,497,683**	**120,679,408**
Basic earnings per share (ILS)	**1.1**	**2.9**	**0.8**

B. Diluted

The diluted earnings per share is calculated by adjusting the weighted average number of outstanding common shares to include all potentially-dilutive common shares. As of reporting date, the Company has one category of potentially-dilutive common shares: non-marketable options. The assumption in the calculation of diluted earnings is that with respect to share options, a calculation is made to determine the number of shares that could have been purchased at fair value (determined as the annual average market price of the Company's shares) with the monetary value of the options, in accordance with the terms of the options not-yet exercised. The number of shares thus calculated is compared to the number of shares that would have been issued assuming the exercise of the options.

In 2022 and 2023, the diluted earnings per share is identical to the basic earnings per share as the impact of the options is anti-dilutive.

	Year ended 31 December		
	2024	2023	2022
	ILS in thousands		
Total net profit used in calculation of diluted profit (loss) per share	**193,359**	**443,881**	**94,739**
Weighted average number of shares used in calculation of basic earnings per share	182,994,002	152,497,683	120,679,408
Adjustment for supplementary shares due to exercise of options	125,857	-	-
Weighted average number of issued ordinary shares	**183,119,858**	**152,497,683**	**120,679,408**
Diluted profit per share (ILS)	**1.1**	**2.9**	**0.8**

Note 15 – Balances and Transactions with Interested and Related Parties

A. Transactions with Interested Parties and Related Parties

	The year ended 31 December		
	2024	2023	2022
	ILS in thousands		
Share-based payment	2,794	-	6,895
Management fees to the MC (*)	34,691	31,058	15,771

	Balance as of 31 December	
	2024	2023
	ILS in thousands	
Undertaking for additional consideration, Sunflower	6,771	6,771
Accounts receivable due to related companies	5,882	4,347
Loan to a related company	24,491	-

(*) In 2022-2024, the MC received from Sunflower, a company controlled by the Company, an additional amount of ILS 540 thousand for the 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

	The year ended 31 December		
	2024	2023	2022
	ILS in thousands		
Salary to an Interested Party employed by the MC	3,840	3,840	3,840
Directors salary	992	745	960

Note 15 – Balances and Transactions with Interested and Related Parties (Cont.)

C. Options to the MC

In accordance with the terms and conditions of the management agreement, the Company allocated to the MC non-marketable options amounting to 5% of the total shares issued at each issue, with each option exercisable into one common share. For details see Note 13E above.

D. Financing Rounds

For details about the Company's share allocation in 2021 to the controlling shareholders Roni Biram and Gil Deutsch (including through companies under their control) as part of the Sunflower share acquisition transaction, see Note 7 above. For details regarding the participation of controlling shareholders in the Company's financing rounds, see Note 13B above.

Note 16 – Further Details on the Items in the Statements of Comprehensive Income

		The year ended 31 December		
		2024	**2023**	**2022**
		ILS in thousands		
a.	Other operational expenses			
	Professional services	7,892	5,488	4,605
	Other expenses	4,290	1,285	1,171
		12,182	6,773	5,776
b.	Financing income			
	Interest and investment revenue	6,111	6,276	3,546
	Foreign exchange rate differentials	324	-	-
		6,435	6,276	3,546
c.	Financing expenses			
	Financing expenses for CP	9,444	9,110	453
	Financing expenses for credit facilities	4,794	18,624	12,670
	Fees for the provision of credit and guarantee	2,058	3,126	1,638
	Bond linkage gains and losses	23,114	22,363	28,067
	Interest on bonds	9,195	7,842	4,839
	Other	-	108	4
		48,605	**61,173**	**47,671**

Note 17 – Subsequent Events

Dividend

1) On 15 January 2024, the Company distributed the dividend approved by the Board of the Company on 31 December 2024, in the total amount of ILS 19.7 million.

2) On 26 March 2025, concurrently with the approval of the financial statements for 2024, the Board of the Company approved another dividend distribution in the total amount of approx. ILS 20 million.

Egged

1) For the amendment to the credit facility agreement, by Egged Partnership, see Note 7C1E above.

2) For the exercise of the put option for an aggregate ~18% of Egged's issued capital, such that the holdings of Egged Partnership in Egged following the first exercise has increased to ~78%, see Note 7C1F above.

3) For the amendment to the purchase agreement of Egged of February 2025, including the bringing forward of the date of the deferred payment to the end of February 2025, see Note 7C1G above.

4) For the winning of Egged Holdings in the tender to operate two light rail lines in the Tel Aviv Metropolitan Area – the Green Line and the Purple Line, see Note 7C1J above.