

Keystone Infra Ltd.

Interim Financial Information

(Unaudited)

as of 31 March 2025

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

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

Introduction

We have reviewed the accompanying financial information of Keystone Infra Ltd. (the “**Company**”), which includes the Condensed Statement of Financial Position as of 31 March 2025 and the Condensed Statements of Comprehensive Income, Changes in Equity and Cash Flows for the three-month period then ended. The board of directors (the “**Board**”) and the management are responsible for the preparation and presentation of the financial information for this interim period in accordance with IAS 34 “Interim Financial Reporting”, and they are also responsible for the preparation of financial information for this interim period under Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. Our responsibility is to express a conclusion on the financial information for this interim period, based on our review.

Scope of the Review

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

Conclusion

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

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

Tel Aviv,
26 May 2025

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

[Letterhead of PWC]

26 May 2025

To:

The Board of Directors of Keystone Infra Ltd.

4 Ariel Sharon, Givatayim

Dear Sir/Madam,

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

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

The auditor's review report of 26 May 2025 on the Company's condensed financial information as of 31 March 2025 and the three-month period then ended.

Sincerely,

KESSELMAN & KESSELMAN

Certified Public Accountants

A member firm of PricewaterhouseCoopers International Limited

Keystone Infra Ltd. - Statements of Financial Position

		31 March		31 December
		2025	2024	2024
		(Unaudited)		(Audited)
	Note	ILS in thousands		
Assets				
Current assets				
Cash and cash equivalents		124,766	286,607	378,888
Accounts receivable		9,696	5,544	7,505
		134,462	292,151	386,393
Non-current assets				
Investments in investees and loans	4	3,723,529	3,013,891	3,081,673
Pledged deposit		804	33,100	822
Accounts receivable		26,801	-	25,069
		3,751,134	3,046,991	3,107,564
Total Assets		3,885,596	3,339,142	3,493,957
Liabilities and capital				
Current liabilities				
Commercial paper		187,500	187,500	187,500
Short-term loans		187,500	-	-
Current maturities of bonds		56,704	54,826	56,542
Accounts payable		33,193	26,629	25,119
		464,897	268,955	269,161
Non-current liabilities				
Bonds		1,038,683	622,454	885,508
Long-term loans		-	187,500	-
Accounts payable		6,771	6,771	6,771
Deferred taxes		196,693	190,338	184,089
		1,242,147	1,007,063	1,076,368
Total liabilities		1,707,044	1,276,018	1,345,529
Capital				
Share capital		1,496,512	1,495,664	1,495,664
Proceeds on account of options		8,965	9,036	9,036
Share-based payment capital reserve		21,341	21,341	21,341
Retained earnings		651,734	537,083	622,387
		2,178,552	2,063,124	2,148,428
Total Liabilities and Capital		3,885,596	3,339,142	3,493,957

Date of approval of the Financial Statements by the Company's Board: 26 May 2025

Aharon Biram
Chairman of the
Board

Navot Bar
CEO

Rachel Segal
Deputy CEO & Chief
Financial Officer

Keystone Infra Ltd. - Statements of Comprehensive Income

	Note	3 months ended		Year ended
		31 March		31 December
		2025	2024	2024
		(Unaudited)		(Audited)
		ILS in thousands		
Revenues	4B			
Net change in fair value of investments in investees measured at fair value through profit or loss, net of income from dividend, interest and loan proceeds		56,522	(17,257)	43,933
Income from dividend, interest and loan proceeds		28,150	88,550	238,261
Total Revenues		84,672	71,293	282,194
Operating expenses				
Management fees		8,531	8,060	34,691
Expenses on share-based payment		-	2,794	2,794
Transaction costs due to acquisition of investees (primarily professional services)		309	41	2,257
Other operating expenses		3,234	3,070	12,182
Total Expenses		12,074	13,965	51,924
Operating income		72,598	57,328	230,270
Financing income		3,967	1,756	6,435
Financing expenses		(14,614)	(10,539)	(48,605)
Profit before income taxes		61,951	48,545	188,100
Deferred tax expenses (income)		12,604	990	(5,259)
Total comprehensive income attributable to the Company's shareholders		49,347	47,555	193,359
Basic and diluted earnings per share attributable to the Company's shareholders (in ILS)		0.3	0.3	1.1

The accompanying notes are an integral part of the Financial Statements

Keystone Infra Ltd. - Statements of Changes in Equity

	Attributable to the Company's shareholders				
	Share capital	Proceeds on account of options	Share-based payment capital reserve	Retained earnings	Total capital
	ILS in thousands				
Balance as of 1 January 2025 (audited)	1,495,664	9,036	21,341	622,387	2,148,428
Income for the period	-	-	-	49,347	49,347
Exercise of options	848	(71)	-	-	777
Dividend	-	-	-	(20,000)	(20,000)
Balance as of 31 March 2025 (unaudited)	1,496,512	8,965	21,341	651,734	2,178,552
Balance as of 1 January 2024 (audited)	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 period	-	-	-	47,555	47,555
Dividend	-	-	-	(18,500)	(18,500)
Balance as of 31 March 2024 (unaudited)	1,495,664	9,036	21,341	537,083	2,063,124

	Attributable to the Company's shareholders				
	Share capital	Proceeds on account of options	Share-based payment capital reserve	Retained earnings	Total capital
	ILS in thousands				
Balance as of 1 January 2024	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

	3 months ended		Year ended
	31 March		31 December
	2025	2024	2024
	(Unaudited)		(Audited)
	ILS in thousands		
Cash flows from operating activities			
Income for the period	49,347	47,555	193,359
Adjustments required for presenting cash flows from operating activities:			
Adjustments to profit and loss items -			
Deferred tax expenses (income)	12,604	990	(5,259)
Change in fair value of investments in investees	(56,522)	17,257	(43,933)
Income from dividend, interest and loan proceeds	(28,150)	(88,550)	(238,261)
Expenses on share-based payment	-	2,794	2,794
Financing expenses, net	10,647	8,783	42,170
	(61,421)	(58,726)	(242,489)
Changes in the Company's asset and liability items -			
Decrease (increase) in accounts receivable	(3,923)	276	(2,263)
Increase in accounts payable	3,047	1,996	5,082
	(876)	2,272	2,819
Cash paid and received during the period by the Company for:			
Interest paid	(4,074)	(7,604)	(22,316)
Dividend, interest and loan proceeds	28,150	88,550	238,261
	24,076	80,946	215,945
Net cash provided by operating activities	11,126	72,047	169,634

Keystone Infra Ltd. - Statements of Cash Flows

	3 months ended		Year ended
	31 March		31 December
	2025	2024	2024
	(Unaudited)		(Audited)
	ILS in thousands		
Cash flows from investing activities			
Acquisition of investees, net	(585,334)	(24,408)	(31,000)
Loan to affiliate	-	-	(24,491)
Release (creation) of bank deposits	18	(100)	32,178
Net cash used for investing activities	(585,316)	(24,508)	(23,313)
Cash flows from financing activities			
Proceeds from issue of shares	-	176,237	176,237
Proceeds from issue of bonds	152,100	-	300,000
Issue expenses	(609)	(3,073)	(6,285)
Exercise of options	777	-	-
Receipt of loans from a financial institution	187,500	-	-
Repayment of loans to a financial institution	-	-	(187,500)
Dividend paid	(19,700)	(15,000)	(74,300)
Repayment of bonds	-	-	(56,489)
Net cash provided by financing activities	320,068	158,164	151,663
Increase (decrease) in cash and cash equivalents	(254,122)	205,703	297,984
Cash and cash equivalents at the beginning of the period	378,888	80,904	80,904
Cash and cash equivalents at the end of the period	124,766	286,607	378,888
Information about non-cash flow investing activities:			
Declared dividend	20,000	18,500	19,700

The accompanying notes are an integral part of the Financial Statements

Note 1 – General

A. The Business

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

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

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

The Company is defined as an investment entity under IFRS 10, and accordingly measures its investments at fair value, as specified in Note 3 to the financial statements as of 31 December 2024.

The Company has entered into an agreement with a management company (MC) for sourcing management services. For further details regarding the management agreement, see Note 12A1 to the financial statements as of 31 December 2024.

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

While the MC continues to be deemed as 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. Impact of the Swords of Iron War

Since 7 October 2023 and the outbreak of the Swords of Iron war, the State of Israel has been engaged in fighting that has affected the country and the Israeli economy. In the fourth quarter of 2024, Israel signed a ceasefire agreement with Lebanon, and residents of the north and the south began returning to their homes. In addition, in the report period, a ceasefire commenced in the south, which included the return of hostages and cessation of hostilities, but as of the report date, limited fighting has been resumed. Despite the many difficulties and challenges in the business environment, the Israeli economy has demonstrated strength and resilience, and economic recovery is apparent since the second half of 2024.

The operations of the Company’s investees which operate in Israel, operate in the infrastructure, transportation and energy sectors, which are infrastructures that are vital and critical for the functioning of the various systems in the economy, and accordingly they have continued to provide their services on an ongoing basis throughout the period of the hostilities.

To date, the war has had no material effect on the liquidity of the Company and its investees, or on their financing sources.

Note 1 – General (Cont.)

Since, as of the date of issuing this report, there is uncertainty as to the development, scope, continuation and effects of the fighting, the Company's management is unable to assess the future impact on its results of operations, financial position, the cash flows and financial soundness of the Company and its investees as a result of the war.

C. Impact of the Increase in Inflation and Interest Rates

In the report period, the Consumer Price Index (CPI) rose by 0.3%, the same rate as the rise in the CPI in the same period last year. The Bank of Israel interest rate has remained unchanged at 4.5% since January 2024. See Note 1.E to the Company's financial statements as of 31 December 2024 for the effect of inflation and the rise in interest rates on the Company's operations.

D. In These Financial Statements:

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

Note 2 – Basis of Presentation of the Condensed Financial Statements

A. The interim financial information is reviewed and unaudited

The Company's condensed financial information as of 31 March 2025 and for the three-month period then ended (the "**Interim Financial Information**") was prepared in accordance with International Accounting Standard No. 34 – "Interim Financial Reporting" ("**IAS 34**"), and includes the additional disclosure required in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. The Interim Financial Information does not include all the information and disclosures required in the context of annual financial statements. The Interim Financial Information should be read in conjunction with the annual financial statements for 2024 and the accompanying notes, which comply with the International Financial Reporting Standards, which are accounting standards released by the International Accounting Standards Board (IASB) ("**IFRS**") and include the additional disclosure required in accordance with the Securities Regulations (Annual Financial Statements), 5770-2010.

B. Estimates

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

In the preparation of these interim financial statements, the significant judgments exercised by the management in the implementation of the Company's accounting policies and the uncertainty entailed by the key sources of the estimates were identical to the ones in the Company's annual financial statements for 2024.

Note 3 – Significant Accounting Policies

The significant accounting policies and calculation methods applied in the preparation of the Interim Financial Information are consistent with those used in the preparation of the Company's annual financial statements for 2024.

New IFRS, amendments to standards and new interpretations:

1. New standards and amendments to existing standards that have not yet taken effect and in respect of which the Company has not opted for early application

In the Company's annual financial statements for 2024, information was provided regarding new IFRS and amendments to existing IFRS that have not yet taken binding effect and in respect of which the Company has not opted for early application. As of the date of approval of these financial statements, there are no new standards or amendments to existing standards that are relevant to the Company which were not stated in the Company's annual financial statements for 2024.

Note 4 – Investments in Investees and Loans:**A. Composition of the Investments in Companies:**

Company name	Comment	Balance as of 31 March 2025				
		Original investment amount	Aggregate investment proceeds	Fair value	Fair value level	Holding rate
		ILS in thousands				
Egged Partnership	1	1,639,027	64,339	2,151,902	Level 3	(*) 63.3%
Drive Group	1	69,247	70,165	91,910	Level 3	21.3%
Eranovum	3	101,773	-	223,561	Level 3	49%
Ashkelon Desalination Plant	1	218,660	135,500	135,836	Level 3	50%
IPM Be'er Tuvia Power Plant	1	585,582	198,218	435,697	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	376,535	Level 3	16.33%
Hagit Power Plant	1	107,596	103,967	133,285	Level 3	16.33%
Sunflower Sustainable Investments	2	179,165	-	122,317	Level 1	53.24%
Cinturion	4	17,473	-	17,473	Level 3	30%
Total investments in investees and loans		3,115,473	773,715	3,723,529		

(*) The Company holds 81.1% of Egged Partnership, which holds 78% of Egged.

- 1) As of 31 March 2025, an update was made to the fair value of the investments in respect of the period from the date of the valuations as of 31 December 2024, which were carried out by external valuers, until the date of the financial statements to reflect the projected return on investment for the owners (as determined in the external valuation), net of dividend, loan repayments and interest received in the period.
- 2) The fair value of this investment was determined according to the share price quoted on TASE.
- 3) The fair value of this investment is determined based on a valuation that was carried out as of 31 December 2024.
- 4) The fair value of this investment is determined based on the consideration paid on the date of the closing of the transaction, whereas the management estimates that no material change has occurred in the fair value since such date.

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

Company name	Balance as of 31 March 2024				
	Original investment amount	Aggregate investment proceeds	Fair value	Fair value level	Holding rate
	ILS in thousands				
Egged Partnership	1,053,693	-	1,330,543	Level 3	(*) 48.6%
Drive Group	69,247	54,360	90,658	Level 3	21.3%
Eranovum	101,773	-	237,440	Level 3	49.0%
Ashkelon Desalination Plant	218,660	104,500	157,764	Level 3	50%
IPM Be'er Tuvia Power Plant	585,582	188,772	447,147	Level 3	32.1%
G.P. Global	22,309	-	31,323	Level 1	10.6%
Ramat Hovav Power Plant	174,641	167,004	435,528	Level 3	16.33%
Hagit Power Plant	107,596	81,218	155,363	Level 3	16.33%
Sunflower Sustainable Investments	172,573	-	110,652	Level 1	51.85%
Cinturion	17,473	-	17,473	Level 3	30%
Total investments in investees and loans	2,523,547	595,854	3,013,891		

Company name	Balance as of 31 December 2024				
	Original investment amount	Aggregate investment proceeds	Fair value	Fair value level	Holding rate
	ILS in thousands				
Egged Partnership	1,053,693	64,339	1,511,000	Level 3	(*) 48.6%
Drive Group	69,247	55,015	104,300	Level 3	21.3%
Eranovum	101,773	-	223,561	Level 3	49.0%
Ashkelon Desalination Plant	218,660	122,500	146,000	Level 3	50%
IPM Be'er Tuvia Power Plant	585,582	198,218	426,205	Level 3	32.1%
G.P. Global	22,309	-	35,013	Level 1	10.6%
Ramat Hovav Power Plant	174,641	201,526	367,445	Level 3	16.33%
Hagit Power Plant	107,596	103,967	129,838	Level 3	16.33%
Sunflower Sustainable Investments	179,165	-	120,838	Level 1	53.24%
Cinturion	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 Egged Partnership, which holds 60% of Egged.

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

B. Composition of Revenue from the Investments in Companies:

Company name	3 months ended 31 March 2025		
	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	55,568	-	55,568
Drive Group	(12,390)	15,150	2,760
Ashkelon Desalination Plant	(10,164)	13,000	2,836
IPM Be'er Tuvia Power Plant	9,492	-	9,492
Ramat Hovav Power Plant	9,090	-	9,090
Hagit Power Plant	3,447	-	3,447
Sunflower Sustainable Investments	1,479	-	1,479
Total	56,522	28,150	84,672

Company name	3 months ended 31 March 2024		
	Net change in value of the investments measured at fair value net of revenue from dividend, interest and loan proceeds	Revenue from dividend, interest and loan proceeds	Total
	ILS in thousands		
Egged Partnership	40,039	-	40,039
Drive Group	(13,542)	16,316	2,774
Ernovum	9,985	-	9,985
Ashkelon Desalination Plant	(10,236)	13,500	3,264
IPM Be'er Tuvia Power Plant	9,490	-	9,490
G.P. Global	2,382	-	2,382
Ramat Hovav Power Plant	(8,651)	18,966	10,315
Hagit Power Plant	(35,028)	39,768	4,740
Sunflower Sustainable Investments	(11,696)	-	(11,696)
Total	(17,257)	88,550	71,293

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

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
Ernovum	(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

C. Additional information on the investments since 31 December 2024

1) Investment in Egged Partnership

- 1.1 On 3 February 2025, exercise of an option and acquisition of 18% of the issued capital of Egged was completed, such that the holdings of Egged Partnership in Egged following the first exercise increased to ~78%. The acquisition was closed for of approx. ILS 833 million, approx. ILS 365 million of which was paid through bank financing out of an Egged Partnership credit facility. The balance, in the sum of ILS 468 million, was paid by the partners in Egged Partnership as follows: ILS 379 million by the Company and ILS 89 million by the School and Preschool Teachers Fund, according to the relative holdings in Egged Partnership.
- 1.2 In February 2025, an amendment was signed to the acquisition agreement, whereby the consideration for Egged's shares would be reduced by ILS 150 million against full and final discharge of claims for indemnity, including waiver of future indemnity claims, against the founding shareholders, the sellers of the shares. It was also agreed to bring forward the date of the deferred payment for such shares (approx. ILS 180 million, including interest and linkage), from October 2025 to the end of February 2025. In February 2025, the deferred payment was made, with the Company's share in the payment being approx. ILS 145 million, according to the relative holdings in Egged Partnership.
- 1.3 In accordance with the financing conditions for the acquisition of 60% of Egged's shares and further to an amendment to the agreement for the acquisition of Egged's shares as specified in Section 1.2 above, Egged Partnership prepaid a debt in the sum of ILS 75 million, with the Company's share in the payment being approx. ILS 61 million, according to the relative holdings in Egged Partnership.

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

- 1.4 In February 2025, Egged Partnership signed an amendment to the credit facility that was provided for the financing of the acquisition of the shares associated with the exercise, such that the period of availability of the credit was extended by an additional year, allowing drawdown of the balance of the credit facility (ILS 600 million) for the financing of acquisition of the remaining shares associated with the exercise, if exercised by February 2026.
- 1.5 On 12 March 2025, Egged Holdings (a company wholly owned by Egged) received a notice from NTA - Metropolitan Mass Transit System Ltd. ("**NTA**") regarding its being awarded a tender for the operation of two light rail lines in the Tel Aviv metropolitan network – the green line and the purple line. The green line is scheduled to open in 2028, with commercial operation scheduled for 2030. The purple line is scheduled to open in 2028. According to reports of NTA, the daily number of passengers expected to travel on the green and purple lines is ~275 thousand and ~256 thousand, respectively, and the anticipated annual mileage is ~3.9 million km and 2.7 million km on the green and purple lines, respectively. The operation period of the lines is 10 years, and NTA has an option to extend by up to 10 years more for both or just one of the lines. The projected revenue in the term of the agreement (the running-in and operation period, excluding the option period) will total approx. ILS 2 billion. On 21 May 2025, the Company reported that it had been informed that another contender in the tender has filed an administrative petition in which the court was moved, in summary, to order cancelation of Egged Holdings' award of the tender, and cancelation of the engagement that was made between it and NTA, and to order the tender committee to declare its bid the winning bid. A motion for an interim order that was filed in the proceeding was denied by the court. Egged Holdings shall respond to the court at the time and in the manner required.

2) Investment in Drive Group

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 therefor on the Company's books based on a valuation as of 31 December 2024 of ILS 104,300 thousand.

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

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

On 21 May 2025, IPM engaged with banking and financial institutions (the “**Lenders**”) in a transaction for the taking of loans in the sum total of approx. ILS 840 million (approx. 240 million of which in ILS and the balance in Euro), to be used for (partial) repayment of IPM’s outstanding senior debt (the “**New Loans**”). IPM’s loans, after completion of the process (i.e., receipt of the New Loans and prepayment of part of IPM’s outstanding senior debt) will total approx. ILS 1.6 billion (approx. 1 billion in ILS and the balance in Euro). The new agreement will allow IPM, subject to compliance with the regulatory requirements, to increase the energy capacity sold thereby to private customers under bilateral agreements in lieu of the sale to the System Operator), optimal structuring of the debt and full release of the money in the sum of approx. ILS 80 million, which is deposited in a reserve fund. The New Loans shall be repaid according to the structured payment schedule, with final maturity on 30 June 2040. The ILS-denominated New Loans are linked to the CPI and bear government bond interest plus 1.5%-2.5%, and the Euro-denominated New Loans bear EuroSwap interest that is consistent with the duration of the loan (or EURIBOR with a hedging mechanism to fix the interest rate) plus 2.5%-3.5%. Financial covenants, collateral, and grounds for acceleration remain unchanged. In the context of the refinancing, credit facilities were also arranged for IPM in the sum total of approx. ILS 130 million (out of which, a facility in the sum total of approx. ILS 80 million is intended for debt service, insofar as required), some at an interest rate of prime plus 0.5%-1.5% and some at an interest rate of prime plus 3%-4%.

4) Investment in the Ramat Hovav power plant (Orot Yosef) and in the Hagit power plant (Orot Pnina)

On 17 February 2025, a decision of the Electricity Authority was released, further to a hearing that was announced in September 2024, concerning the determination of a tariff for the supplementary tariffs for producers which are connected to or integrated into the transmission network. In addition, a public engagement process was announced on behalf of Noga - Israel Independent System Operator Ltd, regarding an update to the method of calculating the market price (SMP). Following these announcements, both the partnerships that hold the Ramat Hovav and Hagit East power plants (16.7% of which are indirectly held by the Company) and the Company examined the potential effects, and accordingly the Company updated the fair value of its investments in the financial statements as of 31 December 2024.

5) Investment in Sunflower

On 31 March 2025, Sunflower (through a subsidiary owned thereby) closed a transaction for the acquisition of income-producing solar power systems with a capacity of ~20 MW in Poland. The total consideration paid for the systems is approx. €15.7 million.

In the report period, Sunflower wrote down the sum of approx. ILS 10.3 million in connection with its investments in the U.S.

Note 5 – Transactions with Interested Parties and Related Parties:

A. Transactions with Interested Parties and Related Parties

	3 months ended 31 March		Year ended 31 December
	2025	2024	2024
	ILS in thousands		
Share-based payment	-	2,794	2,794
Management fees to the MC (*)	8,531	8,060	34,691

(*) The MC received from Sunflower, a company controlled thereby, an additional amount of ILS 135 thousand in the report period and in the same period last year, and ILS 540 thousand in 2024, for the Company CEO's service as Chairman of the Board of Directors at Sunflower.

	31 March		31 December
	2025	2024	2024
	ILS in thousands		
Sunflower supplemental consideration undertaking	6,771	6,771	6,771
Accounts receivable for affiliates	8,126	4,184	5,882
Loan to affiliate	26,023	-	24,491

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

	3 months ended 31 March		Year ended 31 December
	2025	2024	2024
	ILS in thousands		
Salary for an interested party employed by the MC	960	960	3,840
Directors' remuneration	210	244	992

Note 6 – Events During and After the Report Period

A. See Note 4.C above for events in connection with the Company's investments during and after the report period.

B. Working Capital Deficit

As of 31 March 2025, the Company has a working capital deficit of approx. ILS 330 million that derives from commercial paper of the Company in the sum of ILS 187.5 million, which are issued for a year and therefore classified as short-term, and from used credit facilities from financial institutions in the sum of ILS 187.5 million, in effect until October 2025. The Company has an ongoing positive cash flow from operating activities which totaled approx. ILS 11 million in the report period. As of the date of this report, the Company's leverage ratio is approx. 36.1%. In light thereof, the Company's Board reviewed the Company's liquidity as detailed below, and determined that such working capital deficit does not indicate a liquidity issue for the Company. Such decision is based, *inter alia*, on an assessment of the Company's financial position, including the Company's liquid asset balance, the Company's projected cash flow under various scenarios and sensitivity analyses for the next two years, including completion of exercise of the outstanding put options for Egged's shareholders for the acquisition of their remaining shares which is expected in the first quarter of 2026, the Company's leverage ratio and the ability to renew its credit facilities, as well as an assessment of the Company's existing and anticipated liabilities, including the Company's liabilities to its bondholders and to banking corporations and their due dates, and assessment of the existing and projected sources for repayment of such liabilities.

C. Debt Raising

On 9 February 2025, a private placement was performed for accredited investors of Series B bonds of the Company in the sum of approx. ILS 150 million par value, by way of expansion of the Company's existing Series B bond series, for total consideration of approx. ILS 152.1 million. In addition, S&P Maalot announced a rating of iA+ for the bond series expansion. For further details, see Note 10C to the Company's financial statements as of 31 December 2024.

D. Compliance with Financial Covenants

To secure the repayment of credit borrowed by the Company from financial institutions and bonds it issued, the Company is bound by certain financial covenants. As of 31 March 2025, the Company is in compliance with its obligations and with the financial covenants stipulated in the loan agreements and in the deeds of trust for its Series A and Series B bonds.

E. Dividend Distribution

- 1) On 15 January 2025, the Company performed the dividend distribution that had been approved by the Company's Board on 31 December 2024 in the sum of ILS 19.7 million.
- 2) On 26 March 2025, concurrently with approval of the 2024 financial statements, the Company's Board approved another dividend distribution in the sum total of approx. ILS 20 million.

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

F. Litigation

1. For details regarding lawsuits of the Company, see Note 12D to the Company's financial statements as of 31 December 2024.
2. Further to declaratory claims and motions for provisional remedies that were filed by Alma and Blue Square against the Company, Triple and IPMH (which were consolidated), on 2 April 2025, the District Court denied the motions for provisional remedies that were filed by Alma and Blue Square. On 18 May 2025, the parties completed the preliminary proceedings in the main proceeding.