SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16
OF THE SECURITIES EXCHANGE ACT OF 1934

March 19, 2023

Commission File Number 001-36761

Kenon Holdings Ltd.

1 Temasek Avenue #37-02B
Millenia Tower
Singapore 039192
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ☐

EXHIBITS 99.1 AND 99.2 TO THIS REPORT ON FORM 6-K ARE INCORPORATED BY REFERENCE IN THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-201716) OF KENON HOLDINGS LTD. AND IN THE PROSPECTUSES RELATING TO SUCH REGISTRATION STATEMENT.

CONTENTS

Annual Report of OPC Energy Ltd. for the Year Ended December 31, 2022

On March 19, 2023, Kenon Holdings Ltd.'s subsidiary OPC Energy Ltd. ("**OPC**") filed with the Israeli Securities Authority and the Tel Aviv Stock Exchange its annual report (in Hebrew) for the year ended December 31, 2022 ("**OPC's Annual Report**"). English convenience translations of the (i) Report of the Board of Directors for the Year Ended December 31, 2022 and (ii) Consolidated Financial Statements as at December 31, 2022, each as published in OPC's Annual Report are furnished as Exhibits 99.1 and 99.2, respectively, to this Report on Form 6-K. In the event of a discrepancy between the Hebrew and English versions, the Hebrew version shall prevail.

Forward Looking Statements

This Report on Form 6-K, including the exhibits hereto, includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include statements with respect to OPC's strategy, tariffs in Israel and gas supply costs, statements relating to OPC's and CPV's development projects including expected start of construction and completion or operation dates, estimated cost and investment in projects, and characteristics (e.g., capacity and technology) and stage of development of such projects, including expected commercial operation date ("COD"), estimated construction cost and capacity, and statements with respect to CPV's development pipeline and backlog and projects including the description of projects in various stages of developments and statements relating to expectations about these projects, statements and plans with respect to the construction and operation of facilities for generation of energy on the consumers' premises and arrangements for supply and sale of energy to consumers, statements with respect to OPC Sorek 2 Ltd. and Kiryat Gat projects and related agreements, statements with respect to industry and regulatory developments in Israel and the U.S., plans and expectations regarding regulatory clearances and approvals for projects, statements with respect to the expected impact of COVID-19, the Electricity Authority tariffs, including announced changes effective 2023 and OPC's plans to adjust its sales in Israel in accordance with demand-hour categories, expected timing and impact of maintenance, renovation and construction work on OPC's power plants, gas supply from Energean's Karish reservoir and expected impact of COD delays, the expected interpretation and impact of regulations on OPC and its subsidiaries, OPC's expansion plans and goals, OPC's adoption of accounting standards and the expected impact on OPC's results, statements with respect to OPC's virtual supply license and virtual supply activities and related regulatory developments, statements related to proposed grant of supplier license to OPC-Rotem, statements related to the estimated impact of the Inflation Reduction Act ("IRA") on CPV's projects, and statements with respect to CPV's hedging activities and other non-historical statements. These statements are based on OPC's management's current expectations or beliefs, and are subject to uncertainty and changes in circumstances. These forward-looking statements are subject to a number of risks and uncertainties which could cause the actual results to differ materially from those indicated in such forward-looking statements. Such risks include risks relating to potential failure to obtain regulatory or other approvals for projects or to meet the required conditions and milestones for development of its projects, the risk that OPC (including CPV) may fail to develop or complete projects or any other planned transactions including dispositions or acquisitions, as planned (including as to the actual cost and characteristics of projects) or at all, risks relating to potential new regulations or existing regulations, including the IRA, risks relating to the requirement to obtain a supply license, risks relating to litigation and arbitration, the risk that the accounting standards may have a material effect on OPC's results, risks relating to changes to the Electricity Authority tariffs with and the impact on OPC's results, risks relating to electricity prices in the U.S. where CPV operates and the impact of hedging arrangements of CPV, and other risks and factors, including those risks set forth under the heading "Risk Factors" in Kenon's Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission and other filings. Except as required by law, Kenon undertakes no obligation to update these forward-looking statements, whether as a result of new information, future events, or otherwise.

Exhibits

99.1 OPC Energy Ltd. – Report of the Board of Directors for the Year Ended December 31, 2022, as published on March 19, 2023 with the Israeli Securities Authority and Tel Aviv Stock Exchange*

99.2 OPC Energy Ltd. – Consolidated Financial Statements as at December 31, 2022, as published on March 19, 2023 with the Israeli Securities Authority and Tel Aviv Stock Exchange*

*English convenience translation from Hebrew original document.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	KENON HOLDINGS LTD.
Date: March 19, 2023	By: /s/ Robert L. Rosen
	Name: Robert L. Rosen
	Title: Chief Executive Officer

OPC ENERGY LTD.

Report of the Board of Directors regarding the Company's Matters for the Year Ended December 31, 2022

The Board of Directors of OPC Energy Ltd. (hereinafter – "the Company") is pleased to present herein the Report of the Board of Directors regarding the activities of the Company and its investee companies (hereinafter together – "the Group"), as at December 31, 2022 and for the year then ended ("the Period of the Report" or "the Year of the Report").

It is emphasized that the description in this report contains "forward-looking" information, as defined in the Securities Law, 1968 (hereinafter – "the Securities Law"). "Forward-looking" information, is uncertain information regarding the future, including forecasts, estimates, plans, assessments or other information relating to an event or matter the outcome of which is uncertain and/or is not under the Company's control. The "forward-looking" information included in this report is based on information or estimates in the Company's possession as at the publication date of this report and there is no certainty regarding its realization or the manner of its ultimate realization, which could be different, even materially, from that stated in this report – this being as a result of, among other things, changes in market conditions, regulatory factors, operating factors, risk factors applying to the Company's activities and/or other items that are not under the Company's control.

Except for the data audited in the Company's consolidated financial statements as at December 31, 2022 (hereinafter – "the Financial Statements") that is included in this report below, the data appearing in the Report of the Board of Directors has not been audited or reviewed by the Company's auditing CPAs.

1. Executive Summary[1]

Highlights of the results

	For the					
	Year Ended December 31			Three Months Ended December 31		
	2022	2021	Change	2022	2021	Change
Adjusted EBITDA – consolidated*	818	634	28%	219	158	39%
Adjusted EBITDA – Israel*	367	352	4%	101	90	12%
Adjusted EBITDA – U.S.*	477	303	57%	126	75	68%
Adjusted EBITDA renewable energies – U.S.	26	29	(10%)	4	9	(56)%
Adjusted EBITDA* energy transition – U.S.*	562	339	66%	173	104	66%
Income (loss)	217	(303)	+520m	37	(94)	+131m
Adjusted income (loss)*	231	28	725%	51	(16)	+67m

* Adjusted EBITDA and net income – for additional information regarding the definition and manner of the calculation – see Sections 4B, 4E and 5E below.

Main developments in 2022

Israel

Increase in the electricity tariffs – an increase of about 16% in the generation component in 2022 compared with 2021.

There has been a decrease in the generation component and an update of the categories (brackets) of the demand hours commencing from the beginning of 2023.

Natural gas – first gas from the Karish reservoir – annual savings estimated at about NIS 60 million.

Increase in Rotem's results – increase of about 10% in the adjusted EBITDA compared with last year.

Hadera – completion of the maintenance work on the steam turbine.

Completion of the Veridis transaction and structural change in Israel – investment of capital of about NIS 452 million in the beginning of 2023 for further growth in Israel.

Gat transaction – acquisition of a plant with a capacity of 75 megawatts, for a consideration of NIS 870 million, presently in the stages of completion of the preconditions.

Hearing on Rotem's supply license – intended to permit activities in the energy market in the same manner as other generation facilities in Israel that are authorized to execute bilateral transactions.

[1] The Executive Summary below is presented solely for convenience and it is not a substitute for reading the full detail (including with reference to the matters referred to in the Summary) as stated in this report with all its parts (including warnings relating to "forward-looking" information, definitions or explanations with respect to the indices for measurement of the results). This Report of the Board of Directors is submitted on the assumption that all the parts of the Periodic Report are known to the reader.

1. Executive Summary (Cont.)

Main developments in 2022 (Cont.)

U.S. Supportive business environment – high energy margins in 2022.

Decline in the energy margins starting from the beginning of 2023 – against the background of the warm winter and high inventory levels of natural gas high seasonality.

Increase in the results of the CPV Group – a jump of about 60% in the adjusted EBITDA compared with 2021.

Significant tax benefits for the CPV Group under the Inflation Reduction Act (IRA)

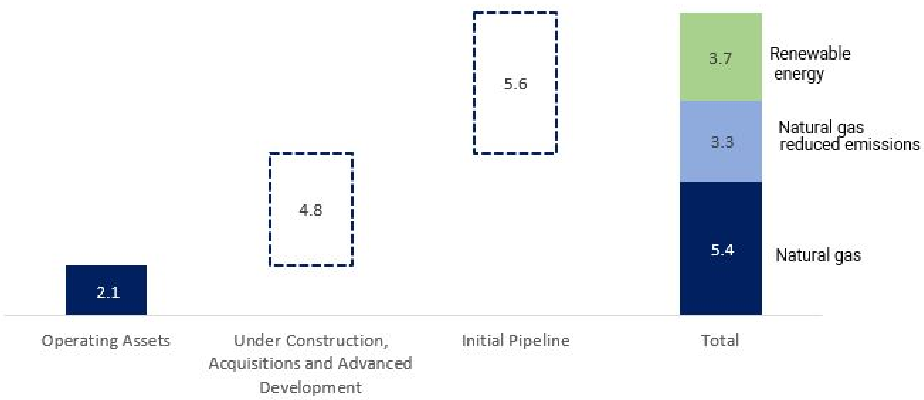
– Acceleration of development of two natural-gas power plants for generation of electricity with carbon capture (natural gas power plants with reduced carbon emissions – CCS).

– Economic improvement of the renewable energy projects, including the Maple Hill and Stagecoach power plants.

Transaction for acquisition of renewable energy power plants – acquisition of a portfolio of active wind farms with a capacity of 81.5 megawatts for a consideration of about $172 million[2], presently in the stages of completion of the preconditions.

Headquarters Successful raising of capital – in the amount of about NIS 830 million for the Company's continued growth.

Portfolio of about 12.4 GW



(*) For additional information – see Section 6 below.

[2] In this report, "dollar" means the U.S. dollar.

2. Brief description of the Group's area of activities

The Company is a public company the securities of which are listed for trade on the Tel Aviv Stock Exchange Ltd. (hereinafter – "the Stock Exchange").

As at the date of the report the Group is engaged in generation and supply of electricity and energy in three activity segments (which constitute reportable segments in its financial statements):

(1) **Israel** – as part of this area of activities the Company is engaged in generation and supply of electricity and energy, mainly to private customers and to the System Operator, as well as in initiation, development, construction and operation of power plants and facilities for generation of energy through use of natural gas and renewable energy in Israel. Upon completion of the Veridis transaction in January 2023 for investment and change of the structure in this area of activities in Israel, as at the approval date of the report the Company manages its activities in Israel through OPC Holdings Israel Ltd. ("OPC Israel").[3] In addition, the Company acts through Gnrgy in the area of charging electric vehicles and energy management in Israel. For additional details regarding completion of the Veridis transaction – see Note 29A to the financial statements;

(2) **Renewable energy in the United States** – in this area of activities, the Company is engaged, through the CPV Group, in initiation, development, construction and holding of power plants using renewable energy (solar and wind) in the U.S. and in supply of electricity from renewable sources;

(3) **Energy transition in the United States** – in this area of activities, the Company is engaged, through the CPV Group, in development, construction and holding of power plants using conventional energy (natural gas), which efficiently and reliably supply electricity in the U.S. The active power plants and the power plants under construction in this area of activities are held through associated companies (that are not consolidated in the Company's financial statements).

In addition, the Company is engaged, through the CPV Group, in a number of business activities in the U.S., which as at the date of the report are not material to the results of the Group's operations (and that do not constitute reportable segments in the financial statements):

(1) Initiation and development of projects for generation of electricity and energy (power plants operating using natural gas at high efficiency) with integration of carbon capture capabilities;

(2) Provision of asset-management and energy services to power plants that are partly owned by the CPV Group partly owned by third parties;

(3) In the beginning of 2023, the CPV Group launched activities for "retail" sale to commercial customers that is intended to complement the electricity generation activities by the CPV Group. As activities at the very outset of the road in the launch stages, in the upcoming years it is expected to show a loss and have negative cash flows that is are not significant to the Group.

For additional details regarding the Group's activities in its activity areas as well as in other areas of activity – see Sections 2.2, 7 and 8 to Part A (Description of the Company's Business) and that stated in Note 27 to the financial statements[4].

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[3] As at the date of the report, the Company holds 80% of the shares of OPC Israel, whereas the remaining 20% is held by Veridis Power Plants Ltd. ("Veridis"). In addition, OPC Israel holds 51% of the shares of Gnrgy Ltd. ("Gngry"), the shares of which were acquired in 2021.

[4] It is clarified that in some cases an additional description has been provided in order to present a comprehensive picture of the matter described or of the relevant business environment. References to reports included in this report include the information included therein by means of reference.

3. Main Developments in the Company's Business Environment

3.1 General

A. Changes in the macro-economic environment (particularly changes in inflation and interest) – in the period of the report, a macro-economic trend is discernable, both in Israel and worldwide, which is characterized by a sharp increase in the rates of inflation and the price levels in the U.S. and in Israel, particularly the energy and electricity prices, and corresponding to the significant increase in the interest rates. This is true, among other things against the background of geo-political events, particularly the war in the Ukraine, the global energy crisis, along with the long-term impacts of the Coronavirus, especially the continuing disruptions in the supply chain.

These parameters have a significant impact on the macro-economic environment in Israel and in the U.S. and the business environment in which the Group companies operate, due to, among other things, the prices of energy, electricity and natural gas, tariffs in the Israeli electricity sector, the costs of executing construction projects, financing expenses, and the like.

In this regard, in 2022 the CPI in Israel has risen by about 5.3%, and Bank of Israel raised the interest rate (a number of times) which as at the date of the report was 3.25%. Subsequent to the date of the report, the CPI in Israel increased by an additional rate of 1.1% and the Bank of Israel interest rate rose (in several additional increments) to 4.25%.

In the United States, the CPI rose in 2022 by about 6.5% and the Federal Reserve Bank (the Fed) raised the dollar interest rate (a number of times) to the rate of 4.50%–4.75% as at the approval date of the report. As at the approval date of the report, there is no certainty regarding a change in these trends. For additional details regarding changes in the macro-economic environment – see Section 12 below.

In January 2023, the Government began advancement of a plan for making changes in Israel's judicial system. Pursuant to the publications in the media, the changes could impact the strength of the Israeli economy, and in particular they could lead to a reduction of the credit rating of the State of Israel, adversely impact investments in the Israeli economy and trigger a removal of money and investments from Israel, increase the costs of the financing sources in Israel, drive up the exchange rate of the shekel against other currencies (including the dollar) and harm the activities of the business sector. To the extent the above estimates materialize, wholly or partly, this could negatively impact the financial position and activities of the Company customers and suppliers and could also impact the availability and cost of the capital and financing sources that are required by the Company for purposes of supporting its continued business growth.

B. The Coronavirus and broad global impacts on raw-material prices and the supply chain – in March 2020, the World Health Organization declared the Coronavirus to be a worldwide pandemic. Despite taking preventative measures in order to reduce the risk of spread of the virus, the virus continued to spread, including different variants that developed, and it caused significant business and economic uncertainty, particularly in 2020 and in the first half of 2021. Thereafter, the restrictions on movement (travel) and carrying on of business and trade in the Company's main areas of activity were lifted.

3. Main Developments in the Company's Business Environment (Cont.)

3.1 General (Cont.)

B. (Cont.)

Nonetheless, the dynamic nature of the Coronavirus, particularly development of new strains (variations) and imposition of specific restrictions in countries that are central to the global economy, such as, China, and the results of developing events that arose against the background of the Coronavirus, mainly an adverse impact on the supply chains, including global delays of the equipment supply dates along with an increase in the prices of raw materials and equipment and transport costs, an impact is visible on the construction, equipment and maintenance costs, as well as on the timetables for completion. In addition, an impact is discernible on the availability and prices of solar panels for renewable energy projects of the CPV Group that are in the development stage or under construction.

As at the approval date of the report, continuation of the broad global impacts of the trends that started against the background of the Coronavirus crisis on the markets and factors relating to the Group's business activities is possible, however at the present time, in the Company's estimation, such impacts will probably be long-term in nature (including in connection with the costs and timing of completion of the construction projects).[5]

As at the approval date of the report, there is no certainty with respect to the continuation of the trends and the scope of the impact thereof on the Group's activities, if any at all.

3.2 Activities in Israel

C. Update of tariffs during 2022, including the brackets of the demand hours – on February 1, 2022, the annual update of the electricity tariffs of the Electricity Authority for 2022 entered into effect, according to which the generation component, increased at the rate of about 13.6%, and stood at NIS 0.2869 per kilowatt hour commencing from February 1, 2022.

On May 1, 2022, an additional update to the electricity tariff for the rest of 2022 entered into effect, as a result of reduction of the excise tax on use of coal. The generation component after the reduction was NIS 0.2764 per kilowatt hour, a reduction of 3.7% from the tariff determined on February 1, 2022, as stated above.

On August 1, 2022, an additional update to the electricity tariff entered into effect for the remainder of 2022 whereby the generation component is NIS 0.314 per kilowatt hour, an increase of about 13.6% over the tariff determined in May 2022 and an increase of 9.4% of the tariff determined in February 2022. Update of the tariff was made against the background of the sharp increase in the coal prices index due to the worldwide energy crisis along with the increase in the shekel/dollar exchange rate and the CPI.

On January 1, 2023, the annual update to the electricity tariff for 2023 entered into effect. Pursuant to the impact, the generation component was NIS 0.312 per kilowatt hour – a decrease of 0.6% in the generation component that occurred in the final months of 2022.

[5] **The Company's estimates regarding the impacts of the Coronavirus crisis and the global trends referred to constitute "forward-looking" information, regarding which there is no certainty they will ultimately materialize and that are impacted by factors that are not under the Company's control and/or the existence of one or more of the risk factors the Company is exposed to, as stated in Section 19 Part A (Description of the Company's Business).**

3. Main Developments in the Company's Business Environment (Cont.)

3.2 Activities in Israel (Cont.)

C. (Cont.)

On February 1, 2023, a decision of the Electricity Authority entered into effect to update the costs recognized to Israel Electricity Company (hereinafter – "the Electricity Company") and Noga Electricity Systems Management Company (hereinafter – "Noga") and the tariffs to the electricity consumers. Pursuant to the decision, an additional update to the generation component for 2023 entered into effect whereby the generation component is NIS 0.3081 per kilowatt hour – a decrease of 1.2% compared with the tariff set on January 1, 2023 – this being due to extension of the Excise Tax on Fuel Order, which calls for a decrease in the purchase tax and excise tax applicable to the coal.

In the beginning of March 2023, a hearing was published for update of the costs recognized for the Electric Company and the tariffs for the electricity consumers – this being as a result of the decline in the price of coal by about 30% compared with the price the last tariff increase was based on, while on the other hand there was an increase in other indices that impact the cost recognized. Entry into effect of the hearing, to the extent it is determined in a final decision, on April 1, 2023 the generation component will be brought for update, to the amount of NIS 0.3048 per kilowatt hour, a decline of about 1% compared with the tariff update determined in February 2023.

Update of the brackets of the demand hours

In August 2022, the Electricity Authority published a decision to revise, the time of use (TOU) demand categories (brackets) for purposes of adjusting the structure of the load and time tariffs (TOAZ) for a significant integration of solar energy and storage. Pursuant to that stated in the Authority's publication, the update of the TOU demand categories is expected to encourage steering consumption to the noon hours wherein there is higher generation of renewable energy as opposed to consumption in the peak evening demand hours – this being by means of, among other things, raising the tariff in the demand hours and applying the following main updates: (a) moving the peak hours from the noon hours to the evening hours; (b) expanding the number of months wherein the peak hours apply in the summer season to 4 months in place of 2 months; (c) increase of the gap between the peak hours and the low-demand hours; and (d) definition of a maximum of two TOU categories for every day of the year (without an intermediate category – Geva). Change of the TOU categories in accordance with the decision is expected to increase the tariffs paid by household consumers and reduce the tariffs paid by TOAZ consumers.

Based on the decision, the updated tariff structure will enter into effect upon update of the tariff to the consumer for 2023. In addition, the decision provides that in light of the frequent sectorial changes and the need to express the correct sectorial cost, the TOU categories will be updated more frequently, based on the actual changes.

As result of the decision, the Group is taking actions to adjust the mix of its sales in Israel, to the extent possible, to the structure of the updated demand-hours categories. Update of the demand-hours categories is expected to have a negative impact on the Group's results, this being since, in general, the consumption profile of the Group's customers, which are mostly industrial and commercial customers, has low consumption volatility in the daytime hours compared with the consumption profile of households that is reflected as part of the tariffs and arrangements determined in the update with reference to tariffs for low-level and peak hours.[6]

[6] For additional details – see Sections 7.2.4 and 7.10.2 of Part A (Description of the Company's Business).

3. Main Developments in the Company's Business Environment (Cont.)

3.2 Activities in Israel (Cont.)

C. (Cont.)

Regarding Hadera, the said decision to update the demand-hours categories, in the framework of which the Geva "Mashav" was cancelled and the low-level hours were expanded, could lead to a reduction of the purchase requirement of the System Operator and, accordingly a negative impact on Hadera's revenues. In addition, change of the demand-hours categories changes the breakdown of the Company's revenues and profits in Israel over the quarters of the year in such a manner that it increases the third quarter (the summer months) at the expense of the other quarters, particularly the first quarter.

For additional details regarding the generation tariff and its impact on the Group's activities in Israel – see Section 7.2.3 of Part A (Description of the Company's Business). It is noted that the results of the Group's activities in Israel are materially impacted by changes in the electricity generation tariff, in such a manner that an increase in the electricity tariff has a positive impact on the Group's result, and vice-versa.

D. Market model for generation and storage facilities connected to or integrated into the distribution network – in September 2022, a decision of the Electricity Authority was published that governs the activities of the generation and storage facilities in the distribution network and provides the possibility for them to sell electricity directly to the suppliers, commencing from January 2024. In addition, as part of the decision the formula for acquisition of electricity through a virtual supplier was revised. As a practical matter, the decision permits opening of the supply sector to competition while removing the quotas previously provided for this matter. In the Company's estimation, in the short run the decision reduces the viability of the virtual supplier activities and in the long run the decision encourages increased competition in the supply area while integrating generation facilities and storage facilities.

E. Supply license for Rotem – in February 2023, the Electricity Authority published a proposed decision that includes granting of a supplier license to Rotem with language (terms) similar to the existing suppliers along with imposition of covenants on Rotem, including covenants relating to a deviation from the consumption plans plus arrangements and covenants relating to this. That stated is part of a process that is intended to create uniformity with respect to arrangements applicable to Rotem and the other bilateral generators, including, application of the market model to Rotem and the manner of determination of the price for purchase of electricity for the consumers at a time of reduction of generation at the plant. As at the approval date of the report, there is no certainty regarding the final language of the arrangements that will be determined (if ultimately determined) and the scope of their impact[7]. Based on the publication, the proposed decision creates uniformity regarding many aspects of the regulation applicable to Rotem with that of the generation facilities that are authorized to execute bilateral transactions, and thus they should permit Rotem to operate in the energy market in a manner similar to that of the other generation facilities that are authorized to execute bilateral transactions.

For additional details regarding developments of the Group's activities in Israel – see Section 10 below and Section 7 Part A (Description of the Company's Business).

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[7] That stated above, including the arrangements in the above-mentioned proposed decision, the impact thereof on Rotem and/or their advancement by the Electricity Authority constitutes "forward-looking" information as it is defined in the Securities Law, which is based on the information known to the Company as at the approval date of the report, and regarding which there is no certainty that it will materialize – this being as a result of factors that are not under the Company's control. Ultimately, the final terms of the supplementary arrangements, if determined, could be different than those set forth above. There is also no certainty regarding the advancement and/or application of the decision. For additional details regarding the proposed decision and the matter of receipt of a supply license by Rotem and the consequences thereof – see Section 7.3.18.5 to Part A (Description of the Company's Business).

3. Main Developments in the Company's Business Environment (Cont.)

3.3 Activities in the U.S.

F. Electricity and natural gas prices

The natural gas price is significant in determination of the price of the electricity in most of the regions in which the power plants of the CPV Group operate that are powered by natural gas as part of the "Energy Transition" area of activities in the U.S.

In the estimation of the CPV Group, in general, in the existing production mix, over time, to the extent the natural-gas prices are higher, the marginal energy prices will also be higher, and will have a positive impact on the energy margins of the CPV Group due to the high efficiency of the power plants it owns (the impact could be different between the projects taking into account their characteristics and the area (region) in which they are located). This impact could be offset, in whole or in part, by programs hedging electricity margins in the natural-gas powered power plants of the CPV Group, which are intended to reduce volatility in the CPV Group's electricity margins due to changes in the commodity prices in the energy market (for additional details regarding agreements for hedging electricity margins in the CPV Group in the period of the report and thereafter – see Section 4D(5) below).

Natural gas prices

The natural gas prices are impacted by a large number of variables, including demand in the industrial, residential and electricity sectors, production and supply of natural gas, natural-gas production costs, changes in the pipeline infrastructure, international trade and the financial profile and the hedging profile of the natural-gas customers and producers. The price for import of liquid natural gas impacts the natural gas and electricity prices, in the winter months in New England and New York, where high prices of liquid natural gas (LNG), in general, should have a positive impact on the profits of the Fairview and Valley power plants during the winter season.

Set forth below are the average natural gas in each of the main markets in which the power plants of the CPV Group operate (the prices are denominated in dollars per MMBtu)*:

	For the					
	Year Ended December 31			Three Months Ended December 31		
Region (Project)	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
TETCO M3 (Shore, Valley)	6.80	3.40	100%	6.59	4.23	56%
Transco Zone 5 North (Maryland)	8.55	3.91	119%	8.97	4.95	81%
TETCO M2 (Fairview)	5.53	3.08	80%	4.55	3.96	15%
Dominion South (Valley)	5.51	3.06	80%	4.42	3.98	11%
Algonquin (Towantic)	9.15	4.51	103%	8.24	6.23	32%

*Source: The Day-Ahead prices at gas Midpoints as reported in Platt's Gas Daily. It is clarified that the actual gas prices of the power plants of the CPV Group could be significantly different.

3. Main Developments in the Company's Business Environment (Cont.)

3.3 Activities in the U.S. (Cont.)

F. Electricity and natural gas prices (Cont.)

Natural gas prices (Cont.)

As is shown by the above table, the natural gas prices in CPV's activity markets increased significantly in 2022 and in the fourth quarter of 2022, compared with the corresponding periods last year. In the estimation of the CPV Group, the said increase stems from, among other things, an increase in demand for electricity in the U.S., a strengthening of the global demand for natural gas, inventory levels of natural gas that are lower than in the past, and a limited increase in production of natural gas.

From the beginning of 2023, there has been a significant decline in the natural gas prices, mainly against the background of the warm winter in CPV's activity markets along with high seasonal natural-gas levels.

Electricity prices

The following table summarizes the average electricity prices in each of the main markets in which power plants of the CPV Group are active (the prices are denominated in dollars per megawatt hour):

	For the					
Region	Year Ended December 31			Three Months Ended December 31		
(Project)	2022	2021	Change	2022	2021	Change
PJM West (Shore and Maryland)	73.09	38.92	88%	68.74	54.39	26%
PJM AD Hub (Fairview)	69.42	38.35	81%	64.70	51.88	25%
NY-ISO Zone G (Valley)	82.21	40.74	102%	73.04	51.33	42%
ISO-NE Mass Hub (Towantic)	85.56	45.92	86%	76.92	59.88	28%

Based on Day-Ahead prices as published by the relevant ISO. It is clarified that the actual gas prices of the power plants of the CPV Group could be significantly different.

The increase in the electricity prices in 2022 and in the fourth quarter of 2022 compared with the corresponding periods last year, as shown by the above table, stems mainly from the increase in the natural gas prices as detailed above, and this situation became more severe due to the premium on the natural gas price in the northwest region in the market areas referred to.

From the beginning of 2023, there has been a significant decline in the natural gas prices – present and future, as detailed above.

3. Main Developments in the Company's Business Environment (Cont.)

3.3 Activities in the U.S. (Cont.)

G. Capacity payments

PJM market

In the PJM market, the capacity payments vary between the market's sub-regions, as a function of local supply and demand and transmission capabilities.

Set forth below are the capacity tariffs in the sub-regions that are relevant to CPV's power plants and in the general market (the prices are denominated in dollars per megawatt per day):

Sub-Region	CPV Plants[8]	2024/2025	2023/2024	2022/2023	2021/2022	2020/2021
PJM RTO		28.92	34.13	50	140	76.53
PJM COMED	Three Rivers	28.92	34.13	-	-	-
PJM MAAC	Fairview, Maryland, Maple Hill	49.49	49.49	95.79	140	86.04
PJM EMAAC	Shore	54.95	49.49	97.86	165.73	187.77

Source: PJM

[8] The Three Rivers project, which is in the construction stages, will be entitled to capacity payments, subject to completion of the construction, commencing from its commercial operation.

3. Main Developments in the Company's Business Environment (Cont.)

3.3 Activities in the U.S. (Cont.)

G. Capacity payments (Cont.)

NYISO market

Similar to the PJM market, in the NYISO market capacity payments are made in the framework of a central mechanism for acquisition of capacity. In the NYISO market, there are a number of submarkets, wherein there could be various capacity demands as a function of local supply and demand and transmission capability. NYISO makes seasonal tenders in every spring for the upcoming summer (the months of May through October) and in the fall for the upcoming winter (the months of November through April). In addition, there are supplemental monthly tenders for the balance of the capacity not sold in the seasonal tenders. The power plants are permitted to assure the capacity payments in the seasonal tender, the monthly tender or through bilateral sales.

Set forth below are the capacity prices determined in the seasonal tenders in NYISO market (the prices are denominated in dollars per kilowatt per month):

Sub-Area	CPV Plants	Winter 2022/2023	Summer 2022	Winter 2021/2022	Summer 2021
NYISO Rest of the Market	–	1.18	3.40	1.00	4.09
Lower Hudson Valley	Valley	1.31	4.65	1.01	4.56

Source: NYISO

It is noted that the Valley power plant is located in Area G (Lower Hudson Valley) and the actual capacity prices for the Valley power plants are impacted by the seasonal tenders, the monthly tenders and the SPOT prices, with variable capacity prices every month, as well as bilateral agreements with energy suppliers in the market.

ISO-NE market

Similar to the PJM market, capacity payments in the ISO-NE market are as part of a central mechanism for acquisition of capacity. In the ISO-NE market, there are a number of submarkets, wherein there could be various capacity demands as a function of local supply and demand and transmission capability. Forward capacity tenders are made three years in advance for the capacity year. In addition, there are supplemental monthly and annual tenders for the balance of the capacity not sold in the Forward tenders.

3. Main Developments in the Company's Business Environment (Cont.)

3.3 Activities in the U.S. (Cont.)

G. Capacity payments (Cont.)

ISO-NE market (Cont.)

The Towantic power plant participated for the first time in a capacity tender for 2018–2019 at a price of $9.55 KW/month and determination of the tariff for seven years in respect of 725 megawatts linked to the Utilities Inputs Index, which will apply up to May 2025. Set forth below are the capacity payments determined in the sub-regions that are relevant to the Towantic power plant (the prices are denominated in dollars per kilowatt per month):

Sub-Region	CPV Power Plants	2026/2027	2025/2026
ISO-NE Rest of the Market	Towantic	2.59	2.59

It is noted that the actual capacity payments for the Towantic power plant are impacted by forward tenders, supplemental annual tenders, monthly tenders with variable capacity prices in every month and bilateral agreements with the energy suppliers in the market.

H. The Inflation Reduction Act ("the IRA Law") – in August 2022, the Inflation Reduction Act of 2022 was signed by the President of the U.S. and it became law. Among other things, the said law grants significant tax credits for renewable energies and technologies for carbon capture, and one of the targets of the IRA is to lead to an increase of the generation of renewable energies and the regulatory stability in the area.

Renewable energies

The IRA Law includes, a number of benefits for renewable energy projects: extension the Investment Tax Credit (ITC) and the Production Tax Credit (PTC) in renewable energy projects the construction of which is started prior to January 1, 2025. Projects that meet certain requirements provided in the IRA Law, should be entitled to ITC of up to 30% or PTC of up to 1.5 cents per kilowatt (adjusted for inflation). In addition, it is possible to earn bonus credits, which increase the ITC or PTC by 10%, to the extent the project meets certain requirements, such as, local manufacture located in special designated energy communities (such as, locations with unemployment in excess of the natural average or population regions located proximate to a coal mine or coal-powered power plant. The said tax credits may be transferred to unrelated entities. For additional details regarding benefits for renewable energy projects in the framework of the IRA – see Section 8.1.4(O) of Part A (Description of the Company's Business).

In the estimation of the CPV Group, the IRA Law is expected to have a favorable impact on the renewable energy initiation, development and construction projects, including Maple Hill and Stagecoach (for additional details regarding the projects and, among other things, an increase in the value of the tax credits that is expected to be received compared with the situation prior to passage of the law.

As at the approval date of the report, the CPV Group estimates that it will choose tax benefits of the ITC type for the Maple Hill project and that Maple Hill will comply with the conditions for the ITC at the rate of an additional 10% bonus (and in total 40%). Furthermore, the CPV Group is analyzing the impacts of the IRA on Stagecoach and Rogue's Wind (for additional details regarding the projects – see Section 6, below) – the economic feasibility that will derive from the choice of the ITC or the PTC benefit for each project along with the eligibility of the projects to additional tax bonus, all of this taking into account the final arrangements.

3. Main Developments in the Company's Business Environment (Cont.)

3.3 Activities in the U.S. (Cont.)

H. The Inflation Reduction Act ("the IRA Law") – (Cont.)

Renewable energies (Cont.)

In addition, in the estimation of the CPV Group, the possibility of selling the tax credits is expected to increase the Group's ability to realize part of the value of the tax credits of its renewable projects and to improve the investment conditions.[9]

Carbon capture projects

The IRA Law extends broadens the available PTC to capture and/or use of carbon dioxide. For electricity generation facilities that install carbon capture technology with the capability of capturing 75% or more of the generation base of the carbon dioxide, the said generation tax credit for the first 12 years after commencement of activities if the relevant electricity generation facility captures at leas 18,750 metric tons of carbon dioxide per year. The ceiling for the credit for separated carbon dioxide is $85 per metric ton and the ceiling for the EOR credit and other beneficial re-uses (recycling) is $60 per metric ton. In addition, the tax credit permits direct payment (as opposed to a credit against the tax paid) up to the first five years on carbon capture equipment that is placed into service after December 31, 2022. For additional details regarding benefits for carbon capture projects as part of the IRA Law – see Section 8.1.4(O) of Part A (Description of the Company's Business).

With reference to the projects of the CPV Group that are in the development stage, as stated in Section 6B(7) below (backlog of projects), and that integrate technologies for carbon capture, in the estimation of the CPV Group the IRA Law is expected to have a positive impact in all that relating to the technological benefits for carbon capture provided in the Law. As at the approval date of the report, the full impacts of the IRA Law have not yet been finally clarified, and they are expected to be clarified upon formulation of the detailed arrangements (regulations).[10]

For additional details regarding developments in the Company's activities in the U.S. – see Sections 6 and 10 below and Section 8 of Part A (Description of the Company's Business).

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[9] **That stated with respect to the main impacts of the IRA Law and its application to projects of the CPV Group, particularly the estimates of the CPV Group regarding the impacts of the IRA on the Group's projects (including Stagecoach, Maple Hill and Rogue's Wind) and their eligibility for the benefits, constitutes "forward-looking" information as it is defined in the Securities Law, and is merely an estimate that is based on the information, estimates, forecasts and data in the possession of the CPV Group as at the approval date of the report, based on, among other things, the language of the law published and the existing business plans. Ultimately, the impacts of the IRA could be impacted by, among other things, the detailed regulatory arrangements that will be determined, compliance with the conditions for entitlement and advancement of the relevant project, legislative updates to the extent that will be determined in connection with the manner of implementation or allocation of the benefits. This information is conditional on the existence of various factors, including factors that are not under the Company's control, such as, the final arrangements that will be determined, realization of the development plans of the list of awaiting projects, compliance with entitlement conditions, technological development, etc. Accordingly, information as stated above may not materialize and/or may materialize in a manner different than that described above.**

[10] **That stated in connection with the main impacts of the IRA Law and its application to projects of the CPV Group, constitutes "forward-looking" information, as it is defined in the Securities Law. For details – footnote 9 above.**

4. Results of operations for the year ended December 31, 2022 (in millions of NIS)

The Group's activities in Israel and the United States are subject to seasonal fluctuations (for additional details regarding seasonal impacts – see Sections 7.10 and 8.7 to Part A (Description of the Company's Business)).

In Israel, the TOAZ tariffs are supervised (controlled) and published by the Electricity Authority. In the year of the report, the said tariffs are broken down into three seasons – summer (July and August), winter (January, February and December) and transition (March through June and September through November). The TOAZ tariff in the summer and the winter are higher than those in the transition seasons. For details regarding a decision to update the hourly demand categories of the TOAZ (including the months of the year's seasons and the categories of the daily hours) commencing from the tariff update for 2023 – see Section 3.2C above and Section 7.2.4 of Part A (Description of the Company's Business).

In the United States, the electricity tariffs are not supervised (controlled) and are impacted by the demand for electricity, which is generally high in the summer and the winter compared with the average and as a function of the natural gas prices.

In light of the said seasonality, generally the preference is to concentrate, to the extent possible, the maintenance work on the power plants during the transition periods, which are characterized, as stated, by relatively lower demand.

4. Results of operations for the year ended December 31, 2022 (in millions of NIS) (Cont.)

A. Statement of income[11]

Section	For the year ended December 31 2022	2021	Board's explanations
Revenues from sale and provision of services (1)	1,927	1,575	For details – see this Section below.
Cost of sales and provision of services (without depreciation and amortization) (2)	1,404	1,086	For details – see this Section below.
Depreciation and amortization	191	171	
Gross profit	**332**	**318**	For details – see Sections C and D below.
Administrative and general expenses	239	177	For details – see Sections C and D below.
Share in earnings (losses) of associated companies[12]	286	(35)	The increase stems mainly from an improvement of the results of the activities in the U.S. For details – see Section D below.
Transaction expenses in respect of acquisition of the CPV Group	–	2	
Business development expenses	50	5	Most of the increase, in the amount of about NIS 11 million, is in the renewable energy in the U.S. segment and in the Israel segment, in the amount of about NIS 5 million.
Ordinary income	**329**	**77**	
Financing expenses, net (3)	47	457	For additional details – see this Section below.
Income (loss) before taxes on income	**282**	(380)	
Taxes on income (tax benefit)	65	(77)	The increase stems from better results in Israel and in the U.S.
Net income (loss) for the year (4A)	**217**	**(303)**	For additional details – see this Section below.
Adjustments	14	331	For details – see Section E below.
Adjusted income for the year (4B)[13]	**231**	**28**	For additional details – see this Section below.

[11] The results of the CPV Group are consolidated in the Company financial statements commencing from the completion date of the transaction for acquisition of the CPV Group on January 25, 2021. The results of the associated companies in the U.S. are presented in the category "Company's share in income of associated companies".

[12] The income of associated companies in the U.S. includes income or loss in respect of changes in the fair value of derivative financial instruments not yet realized as at the date of the financial statements deriving from plans of the CPV Group that hedge electricity margins.

[13] It is emphasized that "adjusted income or loss" as stated in this report is not a recognized data item that is recognized under IFRS or under any other set of generally accepted accounting principles as an index for measuring financial performance and should not be considered as a substitute for income or loss or other terms provided in accordance with IFRS. It is possible that the Company's definitions of "adjusted income or loss" are different than those used by other companies. Nonetheless, the Company believes that the "adjusted income or loss" provides information that is useful to management and investors by means of eliminating certain line items (categories) that do not constitute an indication of the Company's ongoing business activities.

4. Results of operations for the year ended December 31, 2022 (in millions of NIS) (Cont.)

A. Statement of income (Cont.)

(1) Changes in revenues (in NIS millions):

Revenues	For the Year Ended December 31 2022	2021	Board's Explanations
Revenues in Israel			
Revenues from sale of energy to private customers	1,212	966	An increase, in the amount of about NIS 165 million, stemming from an increase in the generation component tariff (for details – see Section 3.2C, below) stemming from an increase in customer consumption offset by a decrease in Rotem's sales, in the amount of about NIS 81 million.
Revenues from private customers in respect of infrastructure services	315	298	
Revenues from sale of energy to the System Operator and to other suppliers	107	91	
Revenues from sale of steam	62	57	
Other revenues	39	–	Reflects revenues in respect of Gnrgy's activities, which were initially consolidated on December 31, 2021.
Total revenues in Israel	**1,735**	**1,412**	
Revenues in the U.S.			
Revenues from sale of electricity from renewable energy	87	82	
Revenues from provision of services (under others)	105	81	Mainly in respect of non-recurring revenue under an asset-management agreement that ended in the year of the report.
Total revenues in the U.S.	**192**	**163**	
Total revenues	**1,927**	**1,575**	

* For details regarding the components of the sales, generation and purchases of energy – see Section 4F below.

4. Results of operations for the year ended December 31, 2022 (in millions of NIS) (Cont.)

A. Statement of income (Cont.)

(2) Changes in the cost of sales and provision of services (not including depreciation and amortization) (in NIS millions):

Cost of Sales and Provision of Services	**For the Year Ended December 31**		**Board's Explanations**
	2022	**2021**	
Cost of sales in Israel			
Natural gas and diesel oil	526	495	An increase, in the amount of about NIS 60 million, stemming from an increase in the price of the natural gas as a result of an increase in the generation component and the dollar/shekel exchange rate. In addition, there was an increase, in the amount of about NIS 16 million, stemming from revenue in respect of compensation from Energean in Rotem and Hadera last year (as detailed in Section C1 below). On the other hand, there was a decrease in the expenses for the consumption of natural gas, in the amount of about NIS 37 million, due to maintenance work at the Rotem Power Plant that was performed mainly in the second quarter of 2022 (as detailed in Section C3 below).
Expenses in respect of acquisition of energy	295	102	An increase in the amount of about NIS 129 million, in light of an increase in consumption by customers, and an increase, in the amount of about NIS 68 million, deriving from maintenance work at the Rotem Power Plant that was performed mainly in the second quarter of 2022.
Expenses in respect of infrastructure services	315	298	
Cost of transmission of gas	32	32	
Operating expenses	86	80	
Other expenses	40	–	In 2022, represents the amount of about NIS 30 million, in respect the cost of sales of Gnrgy's activities, which were initially consolidated on December 31, 2021, and the amount of about NIS 10 million, in respect of activities relating to the commercial operation of the Zomet power plant in 2023.
Total cost of sales in Israel	**1,294**	**1,007**	
Cost of sales and services in the U.S.			
Cost of sales in respect of sale of electricity from renewable energy	30	26	Reflects cost of sales in respect of Gnrgy's activities, which were initially consolidated at the end of 2021.
Cost in respect provision of services (under others)	80	53	Mostly in respect of an increase in the expenses for wages, in the amount of about NIS 10 million, and an unusual expense relating to an asset-management agreement that ended in the year of the report.
Total cost of sales and provision of services in the U.S.	**110**	**79**	
Total cost of sales and provision of services	**1,404**	**1,086**	

* For details regarding the components of the sales, generation and purchases of energy – see Section 4F below.

4. Results of operations for the year ended December 31, 2022 (in millions of NIS) (Cont.)

A. Statement of income (Cont.)

(3) Changes in the financing expenses, net

The decrease in the net financing expenses stems mainly from the following factors: (A) non-recurring financing expenses recorded in 2021 in respect of: (1) early repayment of financing in Rotem, in the amount of about NIS 244 million; (2) settlement of financial liabilities, net, in the amount of about NIS 28 million, as a result of early repayment of a loan in Keenan (for additional details – see Note 21E to the financial statements); (3) a decrease in interest and linkage expenses relating to Rotem financing, in the amount of about NIS 55 million (including the results of a hedge of the CPI); (4) an increase in the financing income, in the amount of about NIS 106 million, in respect of revaluation of intercompany shekel loans that were provided by the Company to the Group companies in the U.S. the functional currency of which is the dollar. It is noted that commencing from October 1, 2022, the loans to the Group companies in the U.S. were reclassified as part of the net investment, and commencing from this date, exchange rate differences are recorded to a translation reserve (for additional details – see Note 21E to the financial statements); and (5) an increase in the financing income, in the amount of about NIS 11 million, as a result of the impact of the changes in the shekel/dollar exchange rate.

On the other hand, there was an increase in interest and linkage expenses in respect of the Company's debentures, in the amount of about NIS 37 million.

(4) Attribution of the income (loss) for the year

(A) Income for the period of about NIS 167 million in the year of the report and a loss of about NIS 219 million last year is attributable to the Company's shareholders and the balance is attributable to the holders of the non-controlling interests.

(B) Adjusted income[14] for the period of about NIS 179 million in the year of the report and about NIS 22 million last year is attributable to the Company's shareholders and the balance is attributable to the holders of the non-controlling interests.

[14] See footnote 13 above.

4. Results of operations for the year ended December 31, 2022 (in millions of NIS) (Cont.)

B. EBITDA and Adjusted EBITDA

The Company defines "EBITDA" as earnings (losses) before depreciation and amortization, financing expenses or income and taxes on income.

The Company defines "adjusted EBITDA" as EBITDA plus a proportionate consolidation of the results of the associated companies based on the rate of holdings of the CPV Group therein, and after adjustments in respect of changes in fair value of derivative financial instruments and items not in the ordinary course of the Group's business and/or having a non-recurring nature. For details regarding adjustments during the period – see Section E below.

EBITDA and adjusted EBITDA data are not recognized under IFRS or under any other generally accepted accounting standards as an indicator for the measurement of financial performance and should not be considered a substitute for gross and operating profit or loss, cash flows from operating activities or other terms of operational performance or liquidity prescribed under IFRS.

EBITDA and adjusted EBITDA are not intended to represent an approximate of the free cash from the Group's current operating activities, particularly against the background the provisions of the project financing agreements in some of the Group's power plants, or to represent monies that are available for distribution of dividends or other uses, since such monies may be used for servicing debt, capital expenditures, working capital and other liabilities. EBITDA is characterized by limitations that impair its use as an indicator of the Company's profitability, since it does not take into account certain costs and expenses deriving from the Company's business, which could materially affect its income or loss, such as, depreciation and financing expenses or income and taxes on income.

The Company believes that the adjusted EBITDA data provides useful information in a transparent manner that is helpful to investors in examining the Company's operating performances and in comparing them against the operating performance of other companies in the same sector or in other sectors (industries) with different capital structures, debt levels and/or income tax rates (it is noted that other companies might define EBITDA differently), as well as comparison of performances between periods. This data item is also used by Company management when examining the Company's performance.

4. Results of operations for the year ended December 31, 2022 (in millions of NIS) (Cont.)

B. EBITDA and Adjusted EBITDA (Cont.)

Calculation of the EBITDA and Adjusted EBITDA (in millions of NIS):

	For the Year Ended December 31	
	2022	**2021**
Revenues from sales and provision of services	1,927	1,575
Cost of sales (without depreciation and amortization)	(1,404)	(1,086)
Administrative and general expenses (without depreciation and amortization)	(229)	(169)
Transaction expenses relating to acquisition of the CPV Group	–	(2)
Business development expenses	(50)	(27)
Consolidated EBITDA*	**244**	**291**
Share of Group in proportionate EBITDA of associated companies**	556	195
EBITDA (total consolidated and the proportionate amount of associated companies)	**800**	**486**
Adjustments – see detail in Section E below	18	148
Adjusted EBITDA	**818**	**634**

* Presented on the basis of 100% of the companies the financial results of which are consolidated in the Company's financial statements.

** Represents the EBITDA of the associated companies based on the rate of the holdings of the CPV Group therein.

4. Results of operations for the year ended December 31, 2022 (in millions of NIS) (Cont.)

B. EBITDA and Adjusted EBITDA (Cont.)

Set forth below is a breakdown of the adjusted EBITDA data broken down by the subsidiaries (on a consolidated basis) and the associated companies (on a proportionate basis, based on the rate of the holdings of the CPV Group therein) (in NIS millions):

	Basis of presentation in the Company's financial statements	For the Year Ended December 31 2022	2021
Rotem	Consolidated	343	310
Hadera	Consolidated	48	55
Zomet	Consolidated	(6)	(3)
Business development costs, headquarters and others	Consolidated	(18)	(10)
Total Israel		**367**	**352**
Fairview	Associate	113	73
Towantic	Associate	96	92
Maryland	Associate	65	41
Shore	Associate	75	69
Valley	Associate	217	70
Other	Consolidated	(4)	(6)
Total energy transition in the U.S.		**562**	**339**
Keenan	Consolidated	55	54
Development costs of renewable energy	Consolidated	(29)	(25)
Total renewable energy in the U.S.		**26**	**29**
Total activities under another segment	Consolidated	–	8
Headquarters in the United States[15]	Consolidated	(111)	(73)
Total United States		**477**	**303**
Company headquarters (not allocated to the segments)*	Consolidated	(26)	(21)
Adjusted EBITDA		**818**	**634**

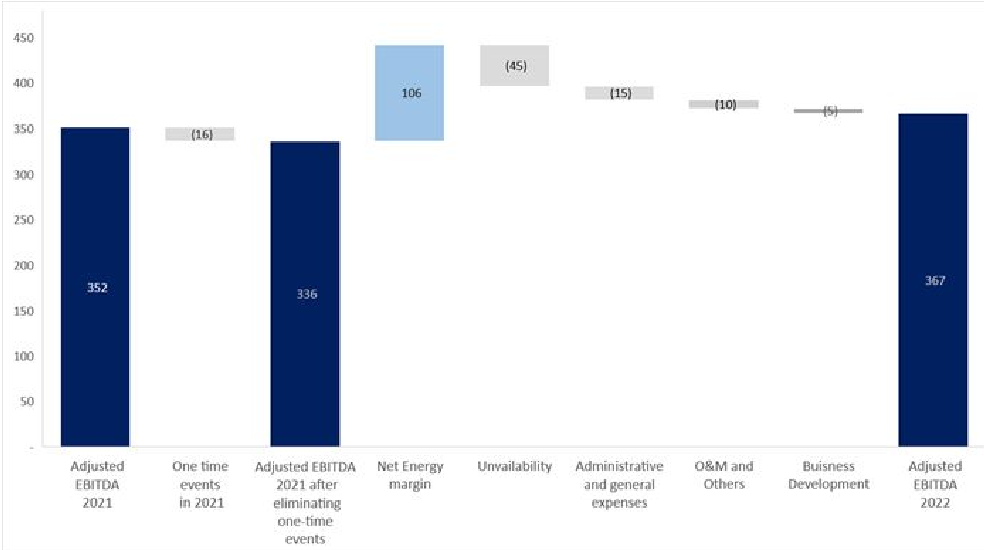
* Most of the increase stems from an increase in expenses for wages in the headquarters, in the amount of about NIS 1 million, and from an increase in business development expenses in the Company, in the amount of about NIS 2 million.

[15] After elimination of management fees between the CPV Group and the Company, in the amounts of about NIS 21 million and about NIS 16 million in the years ended December 31, 2022 and 2021, respectively.for the years ended December 31, 2022 and 2021, respectively.

4. Results of operations for the year ended December 31, 2022 (in millions of NIS) (Cont.)

C. Analysis of the change in adjusted EBITDA – segment in Israel

Set forth below is an analysis of the change in adjusted EBITDA in Israel in 2022 compared with last year (in NIS millions):



1. One-time events – in 2021, Rotem and Hadera recognized revenue, in the amount of about NIS 16 million, stemming from compensation due to the delay in the commercial operation of the Karish reservoir (for additional details – see Note 28C3 to the financial statements). For details regarding the start of the flow of the first gas from the Karish reservoir in the fourth quarter of 2022 – see Section 10C below.

2. Energy margin – the increase in energy margin in the year of the report compared with last year stems mainly from an increase in the generation component tariff offset by an increase in the natural gas prices. The natural gas prices were also impacted by an increase in the shekel/dollar exchange rate (which led to an increase of about NIS11 million in the cost of the natural gas). For additional details – see Section 3.2C above.

4. Results of operations for the year ended December 31, 2022 (in millions of NIS) (Cont.)

C. Analysis of the change in adjusted EBITDA – segment in Israel (Cont.)

3. Unavailability due to maintenance work – during the year of the report, the Rotem and Hadera power plants were shut down for different periods of time for purposes of maintenance work, which had a negative impact on their results in the year of the report, as well as compared with last year.

Rotem – in March 2022, the activities of the Rotem Power Plant were shut down for a period of 12 days for purposes of performance of unplanned maintenance work to repair a malfunction, which was repaired; and further to the activities of the power plant were shut down in April 2022 for purposes of performance of planned maintenance work which lasted 26 days, after which the power plant returned to regular activities. The next planned maintenance at the Rotem Power Plant is expected to take place in the first half of 2024 for a period of about 15 days[16].

[16] **That stated in this Section above, including with reference to the expected date of completion of the maintenance work, impact of the work on Rotem's results, period of the said work and/or the completion thereof, includes "forward-looking" as it is defined in the Securities Law. The said information may not materialize, or it may materialize in a different manner, including as a result of reasons that are not dependent on Rotem, such as, pressures the source of which is the maintenance contractor or the equipment supplier, manner of performance of the maintenance work, technical breakdowns or delays in arrival of the equipment or teams to the site and/or other delays that could impact the performance of the power plant or the length of the shutdown. It is noted that early maintenance work might be needed, included unplanned work, due to changes in the timetables and breakdowns. Partial activity or a shutdown of Rotem's power plant for extended periods would have a negative impact on Rotem's results.**

4. Results of operations for the year ended December 31, 2022 (in millions of NIS) (Cont.)

C. Analysis of the change in adjusted EBITDA – segment in Israel (Cont.)

3. (Cont.)

Hadra – since the date of the commercial operation in 2020, the Hadera Power Plant perform maintenance work a number of times during which the plant's operations were partly or fully shut down. For additional details – see Section 7.11.1 to Part A (Description of the Company's Business). In this connection, at the end of April 2022, the steam turbine of the Hadera Power Plant was shut down for planned maintenance, where in the course of the work, repair work was also performed in the gas turbines. Repair of the gas turbines was completed, and the shutdown of the steam turbine was extended beyond that planned owing to additional required repairs and the steam turbine had returned to service commencing from December 2022. During the period of time wherein the maintenance work was performed in the steam turbine, the Hadera Power Plant is being operated on a partial basis. Shutdown of the Hadera Power Plant's activities for purposes of performance of the maintenance work, as stated, had an unfavorable impact on Hadera's results in 2022.

It is noted that, during the above-mentioned maintenance, sale of the electricity to the Company's customers continued, where the Company purchased electricity from a third party in order to supply the full scope of the demand in the shutdown period.

For details regarding maintenance performed in the Tamar reservoir in the fourth quarter of 2022 and the impact thereof on the Company's results in Israel – see Section 5C (2) below.

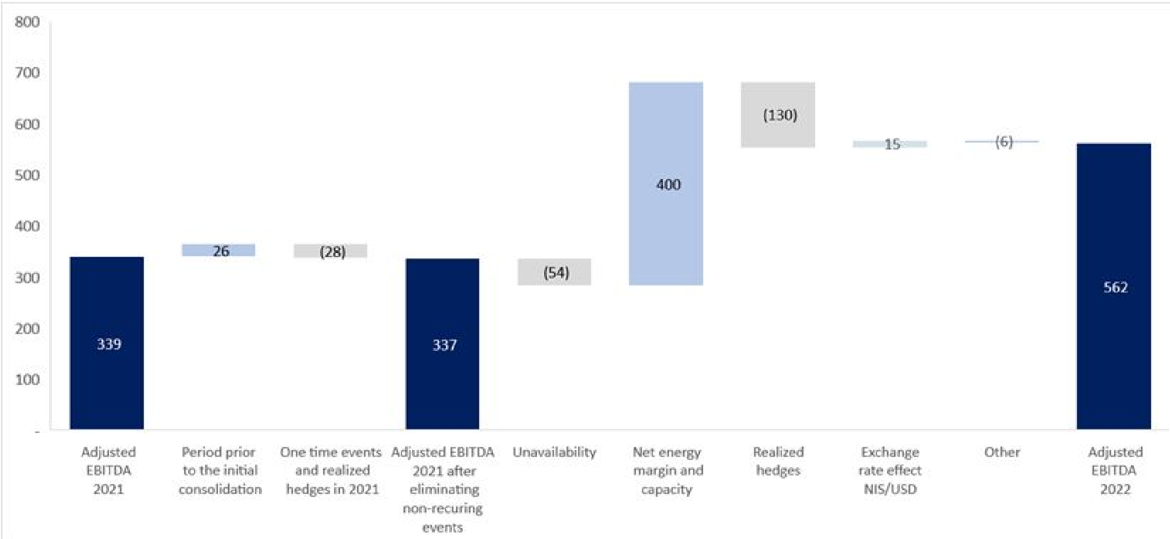
4. Administrative and general expenses – most of the increase stems from an increase in wages and projects in Israel, in the amount of about NIS 10 million, and an increase in respect of non-cash equity remuneration expenses, in the amount of about NIS 6 million, among other things, due to preparations for expansion of the activities in Israel in 2023.

5. Operating and other expenses – most of the increase stems from an increase in the expenses for wages of operational employees in the power plants in Israel, in the amount of about NIS 3 million and expenses in respect of the initial consolidation of Gnrgy, in the amount of about NIS 3 million.

4. Results of operations for the year ended December 31, 2022 (in millions of NIS) (Cont.)

D. Analysis of the change in adjusted EBITDA – energy transition segment in the U.S.

Set forth below is an analysis of the change in the adjusted EBITDA in the energy transition segment in the U.S. for 2022 compared with last year (in millions of NIS):[17]



1. Period prior to the initial consolidation – adjusted EBITDA in respect of the CPV Group from January 1, 2021 and up to January 25, 2021 (the acquisition date).

2. One-time events and hedges – in addition to the regularly existing hedging program at the CPV Group, in 2021 the CPV Group recognized revenue in respect of hedging agreements (an agreement hedging RPO in the Valley power plant and a hedging agreement of the HRCO type in the Shore power plant), which are not current and are not expected to recur, in the amount of about NIS 28 million.

3. Unavailability – in the period of the report, the power plants of the CPV Group that are powered by natural gas were shut down for various periods for purposes of performance of planned maintenance (where some of the work extended beyond that planned) and unplanned maintenance work for repair of breakdowns. The said shutdowns had a negative impact on the results of the power plants in the year of the report. The total cost of the unavailability in the year of the report increased by about NIS 54 million compared with last year. Most of the increase stems from unplanned maintenance at the Valley power plant in January 2022, a shutdown for purposes of planned and unplanned maintenance of about 50 days at the Towantic power plant, which completed periodic major maintenance in April and May 2022, unplanned maintenance of about 14 days due to a malfunction at the Fairview power plant in August 2022 during which it operated on a partial basis and afterwards the power plant resumed its activities.

[17] For the definition of adjusted EBITDA – see Section 4B above.

4. Results of operations for the year ended December 31, 2022 (in millions of NIS) (Cont.)

D. Analysis of the change in adjusted EBITDA – energy transition segment in the U.S. (Cont.)

3. (Cont.)

In addition, the availability of part of the power plants was impacted by the winter storm Elliot (for details – see Section 4D(5) below). In 2023, the Shore, Fairview and Valley power plants are each expected to perform significant maintenance work (significant maintenance work generally lasts for about 30 to 40 days).[18]

4. Energy margin and availability – as stated in Section 3.3F above, in the year of the report the gas prices and the electricity prices rose compared with last year.

The efficiency of the power plants of the CPV Group and the high natural gas prices contributed to an increase in the electricity margins. The total electricity margin for the active power plants of the CPV Group, for the relative share of the CPV Group, and on the assumption of full capacity, increased in the year of the report by about NIS 424 million, compared with last year. The capacity payments in the year of the report decreased by about NIS 24 million compared with last year (for details regarding the capacity tariffs – see Section 3.3(F) above).

5. Energy hedges[19] – the increase in the electricity margins in some of the power plants was partly offset due to the hedging program of the CPV Group the realization of which led to a reduction of the electricity margin in the period of the report, in the amount of about NIS 130 million, compared with last year. It is noted that the Valley power plant, which was not hedged in the periods prior to the third quarter of 2022, was favorably impacted by the increase in the energy prices.

As at the approval date of the report, the CPV Group had hedge agreements, generally for periods of up to one year, that assure the energy margins and availability margin for the nominal capacity hedged by the power plants. As at the date of the report. the scope of the energy hedged for 2023 in the power plants powered by natural gas is estimated at about 15% of the capacity of the plants, and the expected energy margin for 2023 in respect of this hedge is estimated at about $53.6 million. In addition, the scope of the guaranteed availability for the power plants powered by natural gas in 2023 is about 85% of the capacity of the plants, and the availability payments in respect thereof are expected to be about $49.3 million.[20]

It is noted that in 2022, the fluctuations in the future energy prices triggered a demand for provision of additional collaterals for 2022 (that are not lien-based) in order to secure liabilities to the parties to the hedging agreements, in the Valley, Maryland, Shore and Towantic.

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[18] **That stated with reference to maintenance work, the duration thereof and the expected projects constitutes "forward-looking" information, similar to that stated with reference to the maintenance work in Rotem in footnote 16 above. It is noted that additional maintenance work may be required in the power plants of the CPV Group, including unplanned maintenance work, due to a change in the timetables or breakdowns. Partial activities or a shutdown of the power plants for extended periods would have a negative impact on the results of the CPV Group.**

[19] For details relating to the risk management policies in the CPV Group, and particularly with reference to hedging of part of the electricity margins – see Note 23 to the financial statements.

[20] The estimated percentages and the actual hedged electricity margins could change due to new hedges and/or sale of availability made or as a result of change in market conditions. **That stated regarding the estimates of the hedging rates and the hedging policy constitutes "forward-looking" information as it is defined in the Securities Law, which is based on the estimates and forecasts of the CPV Group as at the approval date of the report and regarding which there is no certainty it will be realized and/or it is subject to changes based on business discretion of the CPV Group. That stated could change as a result of, among other things, changes in the market conditions, availability constraints, changes in the estimates that are the basis of the estimates, as stated.**

4. Results of operations for the year ended December 31, 2022 (in millions of NIS) (Cont.)

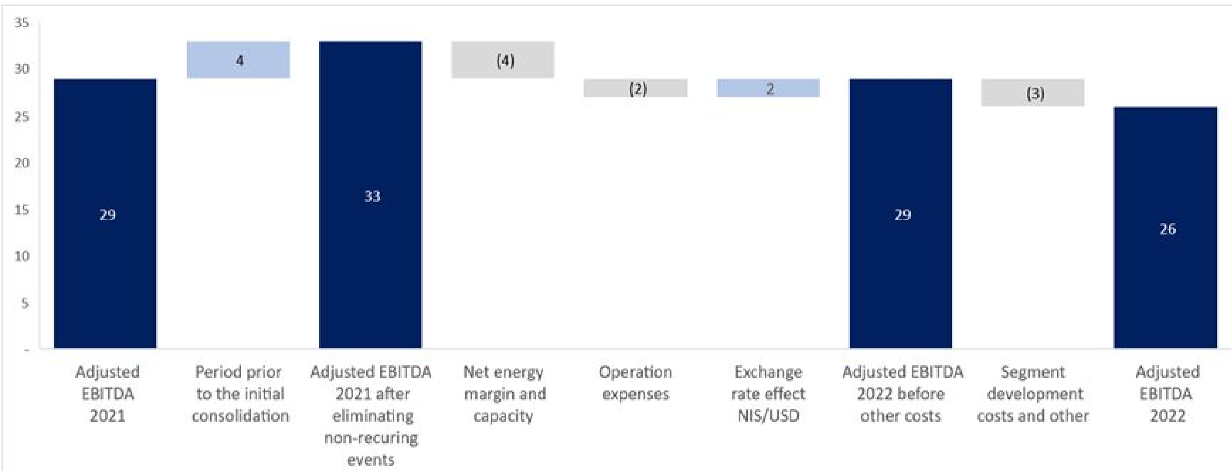
D. Analysis of the change in adjusted EBITDA – energy transition segment in the U.S. (Cont.)

5. Energy hedges (Cont.)

As a result of transactions executed for purposes of reduction of the collaterals deposited, as stated, as well as the decrease in the energy margins in the market in 2023, as at the date of the report the aggregate scope of the cash collaterals deposited in connection with the hedging agreements (for 100% of the above-mentioned power plants) was reduced by about $40 million (of which about 50% reflects the share of the CPV Group in the collaterals). As at the approval date of the report, the cash collaterals in connection with the hedging agreements were returned and current use was made of the designated credit frameworks for provision of collaterals for the hedging agreements.

Analysis of the change in adjusted EBITDA – renewable energy activities in the U.S.

Set forth below is an analysis of the change in the adjusted EBITDA in the renewable energy segment in the U.S. in 2022 compared with last year (in millions of NIS):[21]



1. Period prior to the initial consolidation – adjusted EBITDA in respect of these activities of the CPV Group commencing from January 1 and up to January 25 2021 (the acquisition date).

Analysis of the change in adjusted EBITDA – activities included in another segment in the U.S.

Most of the increase in the expenses derives from the start of development of the "retail" sale of electricity activities, in the amount of about NIS 7 million.

Analysis of the change in adjusted EBITDA – headquarters in the U.S.

Most of the change stems from an increase in wages and headquarters expenses, in the amount of about NIS 30 million, and an increase in expenses for professional services, in the amount of about NIS 5 million, in light of, among other things, expansion of the activities of the CPV Group and the adjustment for the Company's purposes. In addition, there was an increase of about NIS 5 million from the impact of the change in in the dollar/shekel exchange rate. This increase was partly offset by a decrease in expenses in respect of a profit-sharing plan in the CPV Group, in the amount of about NIS 5 million (non-cash).

[21] For the definition of adjusted EBITDA – see Section 4B.

4. Results of operations for the year ended December 31, 2022 (in millions of NIS) (Cont.)

E. Adjustments to EBITDA and income for the year

Section	For the year ended December 31 2022	2021	Board's explanations
Change in the fair value of derivative financial instruments in the U.S. (as part of the Company's share of income of associated companies in the U.S.)	8	145	Represents the change in the fair value of derivative financial instruments that are used in programs for hedging electricity margins of the CPV Group, as described in Section D above.
Change in expenses, not in the ordinary course of business and/or of a non-recurring natures	10	3	In 2022, represents activities in respect of the Company's preparations for the commercial operation of the Zomet power plant in 2023. In 2021, represents mainly expenses in respect of acquisition of the CPV Group.
Total adjustments to EBITDA	**18**	**148**	
Change in loss from settlement of financial liabilities, net	–	272	For additional details – see Note 21E to the Financial Statements.
Tax impact in respect of the adjustments	(4)	(89)	
Total adjustments to net income for the year	**14**	**331**	

F. Detail of sales, generation and purchases of energy (in millions of kilowatt hours)

Israel

Set forth below is detail of sales, generation and purchases of energy (in millions of kilowatt hours)

Category	For the year ended December 31 2022	2021
Sales to private customers	4,777	4,445
Sales to the System Operator	625	535
Total sales	**5,402**	**4,980**

Category	For the year ended December 31 2022	2021
Generation of electricity	4,085	4,492
Acquisitions of electricity from the System Operator and others	1,317	488
Total sales	**5,402**	**4,980**

4. Results of operations for the year ended December 31, 2022 (in millions of NIS) (Cont.)

F. Detail of sales, generation and purchases of energy (in millions of kilowatt hours)

U.S.

Set forth below is detail of the actual generation of the active power plants in the U.S.

	For the year ended					
	December 31, 2021			December 31, 2022		
	Net electricity generation (GWh)	Actual generation percentage (%)	Actual availability percentage (%)	Net electricity generation (GWh)	Actual generation percentage (%)	Actual availability percentage (%)
	Energy transition projects (natural gas)					
Fairview	7,899	88.5%	91.6%	7,607	85.5%	87.3%
Towantic	5,556	69.0%	91.2%	4,960	77.3%	83.5%
Maryland	3,796	58.1%	84.8%	3,779	58.6%	90.9%
Shore	3,654	69.7%	93.6%	4,422	57.6%	96.0%
Valley	4,334	80.1%	78.3%	4,831	80.1%	88.6%
	Renewable energy projects					
Keenan	530	39.8%	93.7%	286	21.5%	92.3%

(*) The net generation is the gross generation during the year less the electricity consumed for self-use (internal use) of the power plants. The actual generation percentage is the quantity of the electricity generated with reference to the maximum quantity that can be generated during the year and it is impacted by unplanned electricity interruptions (outages) or current ongoing maintenance at the power plants that are determined for fixed periods of time.

5. Results of operations for the three-month period ended December 31, 2022 (in millions of NIS)

A. Statement of income

Section	For the three months ended December 31 2022	2021	Board's explanations
Revenues from sales and provision of services (1)	504	427	For details – see this Section below.
Cost of sales and provision of services (without depreciation and amortization) (2)	368	309	For details – see this Section below.
Depreciation and amortization	59	40	
Gross profit	**77**	**78**	For details – see Sections C and D below.
Administrative and general expenses	84	61	For details – see Sections C and D below.
Share in income (losses) of associated companies[22]	96	(58)	The increase stems mainly from an improvement of the results of the activities in the U.S. For details – see Section D below.
Business development expenses	15	6	Most of the increase, in the amount of about NIS 5 million, is in the renewable energy in the U.S. segment and in the Israel segment, in the amount of about NIS 4 million.
Other income, net	–	1	
Ordinary income (loss)	**74**	**(46)**	
Financing expenses, net (3)	29	55	For additional details – see this Section below.
Income (loss) before taxes on income	**45**	**(101)**	
Taxes on income (tax benefit)	8	(7)	The increase stems from better results in Israel and in the U.S.
Net income (loss) for the period (4A)	**37**	**(94)**	For additional details – see this Section below.
Adjustments	14	78	For details – see Section E below.
Adjusted income (loss) for the period (4B)[23]	**51**	**(16)**	For additional details – see this Section below.

[22] See footnote 12 above.
[23] See footnote 13 above.

5. Results of operations for the three-month period ended December 31, 2022 (in millions of NIS)

A. Statement of income (Cont.)

(1) Changes in revenues (in NIS millions):

Revenues	**For the Three Months Ended December 31**		**Board's Explanations**
	2022	**2021**	
Revenues in Israel			
Revenues from sale of energy to private customers	321	261	An increase, in the amount of about NIS 67 million, stemming from an increase in the generation component tariff (for details – see Section 3.2C, below). On the other hand, there was a decrease in the amount of about NIS 7 million, stemming from a decline in customer consumption, compared with the corresponding quarter last year.
Revenues from private customers in respect of infrastructure services	78	80	
Revenues from sale of energy to the System Operator and to other suppliers	28	31	
Revenues from sale of steam	18	15	
Other income	11	–	Represents revenues in respect of the activities of Gnrgy, which was consolidated on December 31, 2021.
Total revenues in Israel	**456**	**387**	
Revenues in the U.S.			
Revenues from sale of electricity from renewable energy	22	23	
Revenues from provision of services (under others)	26	17	
Total revenues in the U.S.	**48**	**40**	
Total revenues	**504**	**427**	

5. Results of operations for the three-month period ended December 31, 2022 (in millions of NIS)

A. Statement of income (Cont.)

(2) Changes in the cost of sales and provision of services (not including depreciation and amortization) (in NIS millions):

Cost of Sales and Provision of Services	For the Three Months Ended December 31		Board's Explanations
	2022	2021	
Cost of sales in Israel			
Natural gas and diesel oil	154	127	An increase, in the amount of about NIS 32 million, stemming from an increase in the price of the natural gas as a result of an increase in the generation component tariff and the shekel/dollar exchange rate.
Expenses in respect of acquisition of energy	55	51	
Expenses in respect of infrastructure services	78	80	
Cost of transmission of gas	8	8	
Operating expenses	24	19	
Other expenses	16	–	Represents mainly the amount of about NIS 9 million in respect of the cost of sales of the activities of Gnrgy, which was initially consolidated on December 31, 2021, and the amount of about NIS 7 million in respect of activities relating to the commercial operation of Zomet's power plant in 2023.
Total cost of sales in Israel	**335**	**285**	
Cost of sales and provision of services in the U.S.			
Cost of sales in respect of sale of electricity from renewable energy	8	10	
Cost of provision of services (under others)	25	14	
Total cost of sales and provision of services in the U.S.	**33**	**24**	
Total cost of sales and provision of services	**368**	**309**	

5. Results of operations for the three-month period ended December 31, 2022 (in millions of NIS) (Cont.)

A. Statement of income (Cont.)

Changes in the financing expenses, net

(3) Changes in the financing expenses, net

The decrease in the financing expenses stems mainly from expenses for exchange rate differences in the corresponding quarter last year, in the amount of about NIS 20 million, as a result of revaluation of intercompany shekel loans that the Company provided to the Group companies in the U.S. the functional currency of which is the dollar. It is noted that commencing from October 1, 2022, the loans to the Group companies in the U.S. were reclassified as part of the net investment, and starting from this date, the exchange rate differences are recorded in a translation reserve (for additional details – see Note 21E to the financial statements). In addition, there was an increase of about NIS 5 million stemming from financing income from bank deposits.

(4) Attribution of income (loss) for the quarter

(A) Income of about NIS 24 million in the fourth quarter of 2022 and a loss of about NIS 55 million in the corresponding quarter last year is attributable to the Company's shareholders and the balance is attributable to the holders of the non-controlling interests.

(B) Adjusted income of about NIS 35 million in the fourth quarter of 2022 and a loss of about NIS 6 million in the corresponding quarter last year is attributable to the Company's shareholders and the balance is attributable to the holders of the non-controlling interests.

5. Results of operations for the three-month period ended December 31, 2022 (in millions of NIS) (Cont.)

B. EBITDA and adjusted EBITDA[24]

Calculation of the EBITDA and adjusted EBITDA (in millions of NIS):

	For the Three Months Ended December 31	
	2022	**2021**
Revenues from sales and provision of services	504	427
Cost of sales (without depreciation and amortization)	(368)	(309)
Administrative and general expenses (without depreciation and amortization)	(82)	*(58)
Business development expenses	(15)	(6)
Other income, net	–	1
Consolidated EBITDA*	**39**	**55**
Share of Group in proportionate EBITDA of associated companies**	163	6
EBITDA (total consolidated and the proportionate amount of associated companies)	**202**	**61**
Adjustments – see detail in Section E. below	17	97
Adjusted EBITDA	**219**	**158**

* Presented on the basis of 100% of the companies the financial results of which are consolidated in the Company's financial statements.
** Represents the EBITDA of the associated companies based on the rate of the holdings of the CPV Group therein.

[24] For details regarding the definition and manner of calculation of EBITDA and adjusted EBITDA – see Section 4B above.

5. Results of operations for the three-month period ended December 31, 2022 (in millions of NIS) (Cont.)

B. EBITDA and adjusted EBITDA [24] (Cont.)

Set forth below is the adjusted EBITDA data broken down by the subsidiaries (on a consolidated basis) and the associated companies (on a proportionate basis, based on the rate of holdings of the CPV Group therein) (in NIS millions):

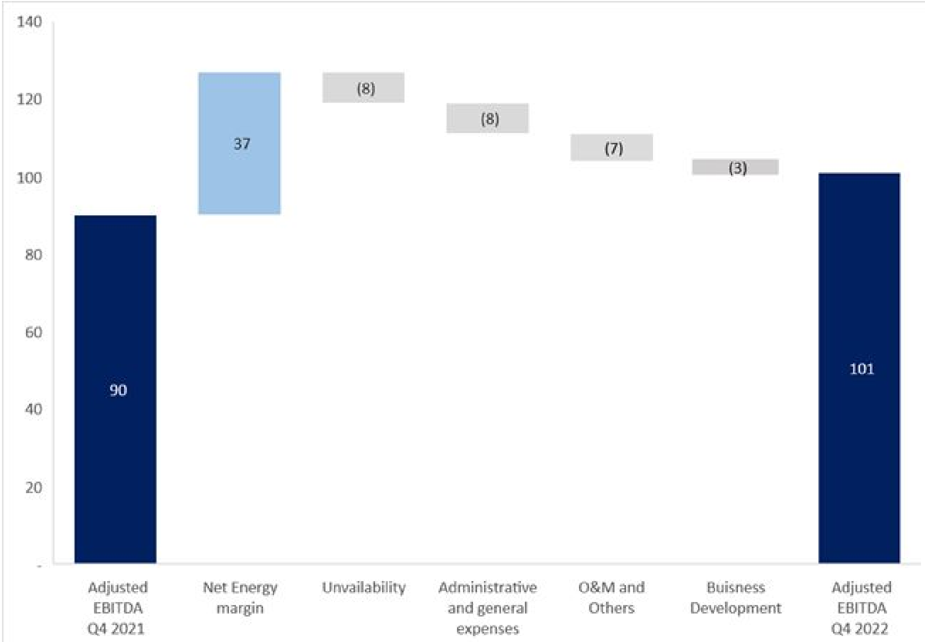
	Basis of presentation in the Company's financial statements	For the Three Months Ended December 31	
		2022	2021
Rotem	Consolidated	99	78
Hadera	Consolidated	10	15
Zomet	Consolidated	(2)	(1)
Business development costs, headquarters and others	Consolidated	(6)	(2)
Total Israel		**101**	**90**
Fairview	Associate	40	28
Towantic	Associate	25	22
Maryland	Associate	20	16
Shore	Associate	33	18
Valley	Associate	55	21
Other	Consolidated and associates	–	(1)
Total energy transition in the U.S.		**173**	**104**
Keenan	Consolidated	14	16
Renewable energy development and other costs		(10)	(7)
Total renewable energy in the U.S.		**4**	**9**
Total activities under another segment		(4)	(4)
Headquarters in the United States[25]		(47)	(34)
Total United States		**126**	**75**
Company headquarters (not allocated to the segments)	Consolidated	(8)	(7)
Adjusted EBITDA		**219**	**158**

[25] After elimination of management fees between the CPV Group and the Company, in the amounts of about NIS 6 million and about NIS 5 million in the three-month periods ended December 31, 2022 and 2021, respectively.

5. Results of operations for the three-month period ended December 31, 2022 (in millions of NIS) (Cont.)

C. Analysis of the change in adjusted EBITDA – segment in Israel

Set forth below is an analysis of the change in adjusted EBITDA in Israel in the fourth quarter of 2022 compared with the corresponding quarter last year (in NIS millions):



1. Energy margin – the increase in energy margin in the fourth quarter of 2022 compared with the corresponding quarter last year stems mainly from an increase in the generation component tariff that gave rise to an increase in the electricity prices and an offset of the increase in the natural gas prices, which were also impacted by an increase in the shekel/dollar exchange rate (which led to an increase of about NIS 3 million). For additional details – see Section 3.2C above.

2. Unavailability due to maintenance work – during the fourth quarter of 2022, performance of the maintenance work continued at the Hadera Power Plant, which was completed in December 2022, as detailed in Section 4C(3) above. The said work had a negative impact on Hadera's results in the fourth quarter of 2022, including compared with the corresponding quarter last year.

   In addition, in October 2022 maintenance activities were performed in the Tamar reservoir, which lasted for 8 days, during which time no natural gas was supplied from the reservoir. During the maintenance period, the Group companies acquired natural gas from other sources at prices higher than the price stipulated in the Tamar agreements, in the aggregate amount of about NIS 4 million. In addition, the maintenance work had a negative impact that is not significant to the Company on the efficiency of the Rotem and Hadera power plants, which operated at a partial load and were required to purchase energy from a third party for customers. As at the approval date of the report, the Tamar reservoir had returned to full activities.

5. Results of operations for the three-month period ended December 31, 2022 (in millions of NIS) (Cont.)

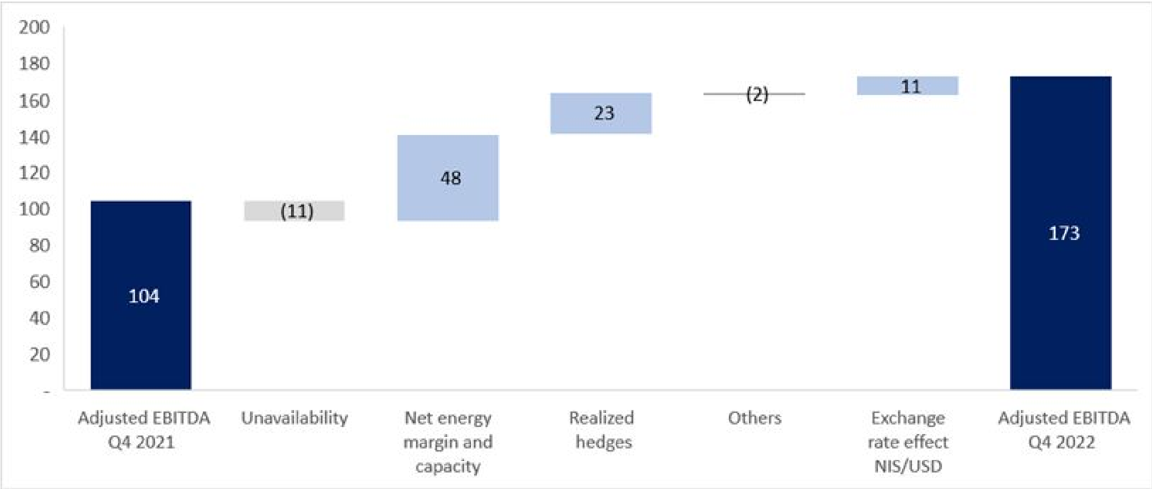
C. Analysis of the change in adjusted EBITDA – segment in Israel (Cont.)

3. Administrative and general expenses – most of the increase stems from an increase in expenses for wages in projects in Israel, in the amount of about NIS 6 million, and an increase of about NIS 2 million in respect of non-cash equity remuneration expenses, in light of, among other things, expansion of the Company's activities in Israel in 2023.

4. Operating and other expenses – most of the increase stems from an increase in the wages of the operation employees, in the amount about NIS 4 million.

D. Analysis of the change in adjusted EBITDA – energy transition segment in the U.S.

Set forth below is an analysis of the change in the adjusted EBITDA in the energy transition segment in the U.S. for the fourth quarter of 2022 compared with the corresponding quarter last year (in millions of NIS):



5. Results of operations for the three-month period ended December 31, 2022 (in millions of NIS) (Cont.)

D. Analysis of the change in adjusted EBITDA – energy transition segment in the U.S. (Cont.)

1. Energy margin and availability – as stated in Section 3.3F above, in the fourth quarter of 2022 the gas prices and the electricity prices rose compared with the corresponding quarter last year.

   The efficiency of the power plants of the CPV Group and the high natural gas prices contributed to an increase in the electricity margins. Accordingly, the total available electricity margin in all of the active power plants of the CPV Group, for the proportionate part of the CPV Group and on the assumption of full capacity, increased in the fourth quarter of 2022 by the amount of NIS 71 million, compared with the corresponding quarter last year. The capacity payments in this quarter decreased by the amount of NIS 23 million, compared with the corresponding quarter last year.

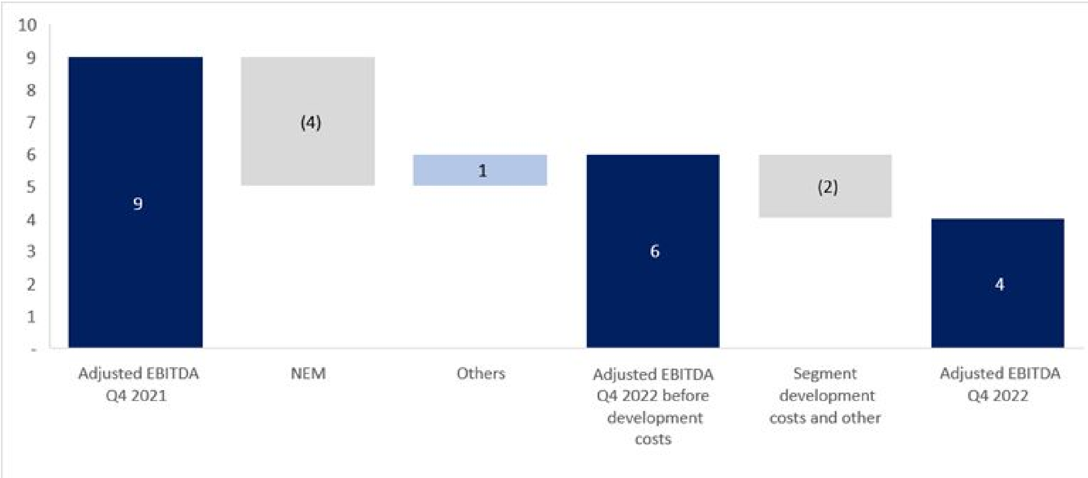
2. Energy – for details regarding the hedging agreements in the CPV Group as at the approval date of the report – see Section 4D(5) above.

5. Results of operations for the three-month period ended December 31, 2022 (in millions of NIS) (Cont.)

D. Analysis of the change in adjusted EBITDA – energy transition segment in the U.S. (Cont.)

Analysis of the change in adjusted EBITDA – activities in the renewable energy segment in the U.S.

Set forth below is an analysis of the change in the adjusted EBITDA in activities in the renewable energy in the U.S. in the U.S. in the fourth quarter of 2022 compared with the corresponding quarter last year (in NIS millions)



Analysis of the change in adjusted EBITDA – headquarters activities in the U.S.

Most of the change stems from an increase in expenses for wages and headquarters expenses, in the amount of about NIS 8 million, in light of, among other things, expansion of the activities of the CPV Group and the conformance to the Company's needs. In addition, there was an increase, in the amount of about NIS 3 million, deriving from the impact of the change in the shekel/dollar exchange rate.

5. Results of operations for the three-month period ended December 31, 2022 (in millions of NIS) (Cont.)

E. Adjustments to EBITDA and income for the period

Section	For the three months ended December 31		Board's explanation
	2022	2021	
Change in the fair value of certain derivative financial instruments (presented as part of the Company's share of income of associated companies in the U.S.)	10	97	Represents the change in the fair value of derivative financial instruments that are used in programs for hedging electricity margins of the natural gas segment in the U.S., as described in Section D above.
Unusual expenses with respect to the ordinary course of business and/or of a non-recurring nature.	7	–	Represents activities in respect of the Company's preparation for the commercial operation of the Zomet power plant in 2023.
Total adjustments to EBITDA	**17**	**97**	
Loss from settlement of financial liabilities, net	–	(1)	For additional details – see Note 21E to the financial statements.
Tax impact in respect of the adjustments	(3)	(18)	
Total adjustments to income for the period	**14**	**78**	

6. Initiation and Construction Projects

A. Initiation and construction projects in Israel and in the U.S.

Main details with reference to the initiation and construction projects in Israel[26]:

Power plants/ facilities for generation of energy	Status	Capacity (megawatts)	Location	Technology	Date/ expectation of the start of the commercial operation	Main customer/ consumer	Total expected construction cost (NIS billions)	Total cost of the investment as at December 31, 2022 (NIS billions)
Zomet Energy Ltd. ("Zomet")	Under construction	≈ 396	Plugot Intersection	Conventional with open cycle	The first half of 2023	The System Operator[27]	[28]≈ 1,4	[29]≈ 1,2

[26] As at the approval date of the report, the projects are held in full (100%, indirectly) by OPC Holdings Israel, which is held 80% by the Company and the balance (20%) is held by Veridis and they are companies consolidated in the Company's financial statements. **That stated in connection with projects that have not yet reached operation (Zomet, Sorek 2, facilities for generation of energy on the premises of the consumers, Rotem 2 and Hadera 2), including with reference to the expected operation date, the technologies and/or characteristics and the anticipated cost of the investment, is "forward-looking" information, as it is defined in the Securities Law, which is based on the Company's estimates and assumptions as at the approval date of the report and regarding which there is no certainty it will be realized (in whole or in part). Completion of the said projects (or any one of them) may not occur or may occur in a manner different than that stated above, among other things due to dependency on various factors, including those that are not under the Company's control, including assurance of connection to the network and output of electricity from the project sites and/or connection to the infrastructures (including gas infrastructures), receipt of permits, completion of planning processes and licensing, completion of construction work, final costs in respect of development, construction and land, the proper functioning of the equipment and/or the terms of undertakings with main suppliers (as applicable) and there is no certainty they will be fulfilled, the manner of their fulfillment, the extent of their impact or what their final terms will be. Ultimately technical, operational or other delays and/or breakdowns and/or an increase in expenses could be caused, this being as a result of, among other things, factors as stated above or as a result of occurrence of one or more of the risk factors the Company is exposed to, including construction risks (including *force majeure* events), regulatory risks, macro-economic changes, delays and increased costs due relating to the supply chain, transport and changes in raw-material prices and etc. For additional details regarding risk factors – see Section 19 of Part a (Description of the Company's Business). It is further clarified that delays in completion of the above-mentioned projects beyond the date originally planned for this could impact the ability of the Company and the Group companies to comply with their obligations to third parties (including, authorities, conditions of permits, lenders, yard consumers and others) in connection with the projects.**

[27] Noga Management of Electricity Systems Ltd.

[28] The estimate of the costs, as stated, does not take into account the amount of the assessment issued by Israel Lands Authority in January 2021, in the amount of about NIS 200 million (not including VAT) in respect of capitalization fees. For additional details – see Note 11B to the financial statements.

[29] Not including amounts relating to milestones provided in the Zomet Power Plant construction agreement that were partially completed and not including costs in respect of the assessment issued by Israel Lands Authority in January 2021. For additional details – see Note 11B(1)(e) to the financial statements.

6. Initiation and Construction Projects (Cont.)

A. Initiation and construction projects in Israel and in the U.S. (Cont.)

Main details with reference to the initiation and construction projects in Israel[19]: (Cont.)

Power plants/ facilities for generation of energy	Status	Capacity (megawatts)	Location	Technology	Date/ expectation of the start of the commercial operation	Main customer/ consumer	Total expected construction cost (NIS millions)	Total cost of the investment as at December 31, 2022 (NIS millions)
OPC Sorek 2 Ltd. (“Sorek 2”)	Under construction	≈ 87	On the premises of the Sorek B seawater desalination facility	Cogeneration	The second half of 2023	Yard consumers and the System Operator	≈ 200	[30]≈ 81
Facilities for generation of energy located on the consumer’s premises	In various stages of initiation / development	Projects with a cumulative scope of about 110 megawatts. The Company intends to act to expand projects with a cumulative scope of at least 120 megawatts[31]	On the premises of consumers throughout Israel	Conventional and renewable energy (solar, storage)	Gradually starting from the first half of 2023	Yard consumers also including Group customers	An average of about NIS 4 per megawatt[32]	≈ 119

[30] Not including amounts relating to milestones provided in the Sorek Power Plant construction agreement that were partially completed.

[31] Every facility with a capacity of up to 16 megawatts. **The Company’s intention, as stated, reflects its intention as at the approval date of the report only, and there is no certainty that the matters will materialize based on the said expectation, and the said intention is subject to, among other things, the discretion of the Company’s competent organs. As at the approval date of the report, there is no certainty regarding signing of additional binding agreements with consumers, and there is no certainty regarding the number of consumers with which the Company will sign agreements and/or regarding the scope of the megawatts the Company will contract for and/or the type of technology if agreements are signed. As stated, as at the approval date of the report, all of the preconditions for execution of the projects for construction of facilities for generation of electricity on the customer’s premises had not yet been fulfilled, and the fulfillment thereof is subject to various factors, such as, licensing, connection and construction processes.**

[32] **Estimate of the commencement dates of the commercial operation and the construction costs constitutes “forward-looking” information as it is defined in the Securities Law. The actual results, with respect to the said information, could be different, even materially, from the estimates and forecasts, this being due, among other things, delays in the construction or in receipt of required permits, changes in the market conditions, factors that are not under the Company’s control, such as, delays in connection to the electricity or gas networks, changes in the costs of the raw materials and the costs of transporting the raw materials, lengthening of the supply times of the raw materials and the like.**

6. Initiation and Construction Projects (Cont.)

A. Initiation and construction projects in Israel and in the U.S. (Cont.)

Main details with reference to the initiation and construction projects in Israel[19]: (Cont.)

Power plants/ facilities for generation of energy	Status	Location	Technology[33]	Additional information
OPC Hadera Expansion Ltd. (“Hadera 2”)	In initiation	Hadera, adjacent to the Hadera Power Plant	Conventional with storage capability	On December 27, 2021, the plenary National Infrastructures Committee decided to submit NIP 20B for government approval pursuant to Section 76C(9) of the Planning and Building Law, 1965 (“the Planning and Building Law”). In December 2022 an annual option agreement was signed with Infinia that may be renewed for a period of up to 5 years for lease of the land for the project. The option may be renewed every year for a period of up to 5 years. For additional details – see Note 11B to the financial statements.
AGS Rotem Ltd. (“Rotem 2”)	In initiation	Rotem Plain, adjacent to the Rotem Power Plant	Being examined further to the decision of the National Infrastructures Committee	On December 27, 2021, the plenary National Infrastructures Committee decided to reject NIP 94, which advanced Rotem 2, however it requested that the developer examine the possibility of using additional technologies on the site. As at the approval date of the report, the Company is studying the National Infrastructures Committee’s decision and is examining the possibilities, including advancing a power plant using “green technology” with low emissions and/or an electricity storage facility. For additional details – see Section 7.3.15.2 to Part A (Description of the Company’s Business) and Note 11B.

[33] It is clarified that the characteristics (including the capacity and/or the technology) of the Rotem 2 and Hadera 2 projects, which are in the initial initiation stages, and the advancement of which is subject to, among other things, planning and licensing processes and connection assurance, are subject to changes and in light of the early stage, there is no certainty regarding the advancement / actual execution of the projects in the initiation stages (in whole or in part).

6. Initiation and Construction Projects (Cont.)

A. Initiation and construction projects in Israel and in the U.S. (Cont.)

Main details with reference to the construction projects in the United States:[34]

Project	**Capacity (megawatts)**	**Rate of holdings of the CPV Group**	**Presentation format in the financial statements**	**Location**	**Technology**	**Expected commercial operation date**	**Regulated market**	**Total estimated construction cost for 100% of the project (NIS billions)[35]**	**Amount of the investment in the project at December 31, 2022 NIS billions)**
CPV Three Rivers LLC (“Three Rivers”)	1,258	10%	Associated company	Illinois	Natural gas, combined cycle	The second half of 2023	PJM ComEd	≈ 4,6 (≈ $1,3 billion)	≈ 4 (≈ $1.1 billion)

[34] Details with respect to the scope of the investments in the United States were translated from dollars and presented in NIS based on the currency rate of exchange on December 31, 2022 – $1 = NIS 3.519. **The information presented below regarding projects under construction, including regarding the expected commercial structure, the projected commercial operation date and the expected construction costs, including “forward-looking” information, as defined in the Securities Law, regarding which there is no certainty it will materialize (in whole or in part), including due to factors that are not under the control of the CPV Group. The information is based on, among other things, estimates and plans of the CPV Group, and the realization of which is not certain, and which might not be realized due to factors, such as: delays in receipt of permits, an increase in the construction costs, delays in the construction work and/or technical or operational malfunctions, problems or delays regarding signing an agreement for connection to the network or connection of the project to transmission or other infrastructures, an increase in costs due to the commercial conditions in the agreements with main suppliers (such as equipment suppliers and contractors), problems signing an investment agreement with a Tax Equity Partner regarding part of the cost of the project and utilization of the tax benefits (if relevant), problems signing commercial agreements for of the potential revenues from the project, regulatory changes (including changes impacting main suppliers of the projects), an increase in the financing expenses, unforeseen expenses, macro-economic changes, weather events, impacts of the Coronavirus crisis (including delays and an increase in costs of undertakings in the supply chain, transport and an increase in raw-material prices), etc. Completion of the projects in accordance with the said estimates is subject to the fulfillment of conditions which as at the approval date of the report had not yet been fulfilled and, therefore, there is no certainty they will be completed in accordance with that stated. Construction delays could even impact the ability of the companies to comply with liabilities to third parties in connection with the projects. For additional details regarding the risk factors involved with the activities of the CPV Group – see Section 8.20 of Part A (Description of the Company’s Business).**

[35] Including initiation fees and reimbursement of pre-construction development expenses to the CPV Group.

6. Initiation and Construction Projects (Cont.)

A. Initiation and construction projects in Israel and in the U.S. (Cont.)

Main details with reference to the construction projects in the United States[29]: (Cont.)

Project	Capacity (megawatts)	Rate of holdings of the CPV Group	Presentation format in the financial statements	Location	Technology	Expected commercial operation date	Regulated market	Total estimated construction cost for 100% of the project (NIS billions)[35]	Amount of the investment in the project at December 31, 2022 NIS billions)
CPV Maple Hill Solar LLC ("Maple Hill"). For additional details see – Section B1 below	126 MWdc[36]	[37]100%	Consolidated	Pennsylvania	Solar	The second half of 2023[38]	PJM MAAC	≈ 0.8 (≈ $0.2 billion)[39]	≈ 0.4 (≈ $0.1 billion)

[36] About 100 MWac.

[37] As at the approval date of the report, the CPV Group had signed an agreement of principles with a "tax partner" ("Tax Equity Partner") for investment of about $45 million in the project, where as at the approval date the binding agreements had not yet been signed. The legislation stated in Section 8.1.4(O) of Part A (Description of the Company's Business) could have an impact on the terms of the undertaking in the agreement with a tax partner and the parties are holding talks regarding update of a number of the principles, including update of the amount of the investment to about $52 million(as noted a final version has not yet been signed). **That stated regarding the update for completion of the agreement with the tax partner, the document of principles including the increase of the investment, constitute "forward-looking" information, as it is defined in the Securities Law, regarding which there is no certainty of its realization (in whole or in part), including due to factors not under the control of the CPV Group.**

[38] For details regarding a change in the project's supplier of the panels – see Section 6B(4) below and Section 8.14.7 of Part A (Description of the Company's Business). The expected operation date of Maple Hill could be delayed even beyond that stated, including as a result of regulatory factors, changes due to market conditions relating to raw materials and supply chains, or completion of the process of connection with the network by PJM. Delays could impact Maple Hill's ability to comply with certain availability commitments with third parties and could cause, among other possible consequences, payment of agreement compensation.

[39] The budget for the project was updated further to update of the consideration under the agreement for acquisition of solar panels described in Section 8.13.2 of Part A (Description of the Company's Business), the expected cost of the investment in the project is subject to changes due to, among other things, the final costs involved in supply of the solar panels, the construction work and/or connection work. Furthermore, the costs in the table include development fees to the CPV Group that are estimated, as at the approval date of the report, at the aggregate amount of about $35 million that could be subject to changes based on the updates of the document of principles with the tax partner. **That stated with reference to the amount of the development fees to the credit of (to the benefit of) the CPV Group constitutes "forward-looking" information as it is defined in the Securities Law, which is based on estimates of the CPV Group as at the date of the report, and that is subject to the final conditions determined, if in fact determined, in a binding agreement with the tax partner, which has not yet been signed.**

6. Initiation and Construction Projects (Cont.)

A. Initiation and construction projects in Israel and in the U.S. (Cont.)

Main details with reference to the construction projects in the United States[29]: (Cont.)

Project	Capacity (megawatts)	Rate of holdings of the CPV Group	Presentation format in the financial statements	Location	Technology	Expected commercial operation date	Regulated market	Total estimated construction cost for 100% of the project (NIS millions)	Amount of the investment in the project at December 31, 2022 NIS millions)
CPV Stagecoach Solar, LLC (“Stagecoach”). For additional details see – Section B2 below	100	100%	Consolidated	Georgia	Solar	The first half of 2024	SERC, the project has signed a long-term PPA	≈ 447 (≈ $127 million)[40]	≈ 131 (≈ $37 million)

[40] Including development fees estimated as at the approval date of the report in the amount of about $23 million. **That stated with reference to the amount of the development fees to the credit of the CPV Group constitutes “forward-looking” as it is defined in the Securities Law, which is based on estimates of the CPV Group as at the date of the approval report, and that is subject final conditions to be determined.**

6. Initiation and Construction Projects (Cont.)

A. Initiation and construction projects in Israel and in the U.S. (Cont.)

Main details with reference to the construction projects in the United States[29]: (Cont.)

Project	Capacity (megawatts)	Rate of holdings of the CPV Group	Presentation format in the financial statements	Location	Technology	Expected commercial operation date	Regulated market	Total estimated construction cost for 100% of the project (NIS millions)[41]	Amount of the investment in the project at December 31, 2022 NIS millions)
CPV Rouge's Wind, LLC (Rouge's Wind)[42]. For additional details – see Section B3 below.	≈ 114	[43]100%	Consolidated	Pennsylvania	Wind	Start of construction – second half of 2023[44] Commercial operation – second half of 2025[45]	PJM MAAC, the project has signed a long-term PPA	≈ 904 (≈ $257 million)[46]	≈ 32 (≈ $9 million)

[41] Including initiation fees and reimbursement of pre-construction development expenses to the CPV Group.

[42] The project has not yet entered into the construction stage. The project has signed a long-term PPA agreement and is in the pre-construction stage. For additional details regarding the project's material agreements – see Section 8.14.7 of Part A (Description of the Company's Business).

[43] As at the date of the report, the CPV Group intends to act to sign an agreement with a "tax partner" ("the Tax Equity Partner") for investment in the project, subject to considerations in connection with regulatory and legislative developments (including but not only the IRA as it is defined below, as is discussed in Section 8.1.4(O) of Part A (Description of the Company's Business). The Tax Equity Partner is expected to enjoy (receive) most of the tax benefits in respect of the project, which are mainly Production Tax Credits (PTC) and tax depreciation expenses, and participation in a proportionate part to be agreed to in the free cash flows available for distribution. The entitlement to participated in part of the free cash flows is expected to remain in effect until a rate of return is reached on the investment of the Tax Equity Partner that will be determined in an agreement. After reaching the said rate of return (or at the end of the period determined), the share of the Tax Equity Partner in the income and the cash flows will decline to a minimal amount. **As at the date of the report, the final structure of the undertaking had not yet been formulated and an agreement with a Tax Equity Partner had not yet been signed and there is no certainty such an agreement will ultimately be signed, or regarding the structure of the agreement if ultimately signed.**

[44] The start date was postponed in the past due to, among other things, the reform covering grid connections of PJM in 2022. It is noted that as at the approval date of the report, an agreement was issued to the project for connection to the grid (see Section 8.1.2.2(A) of Part A (Description of the Company's Business). It is noted that there could be postponements of the construction date due to various reasons as detailed in footnote 34 below.

[45] The expected commercial operation date of Rogue's Wind might be delayed due to a delays in, among other things, completion of the process of connection to the network (grid), construction work or upgrading work. Delays could impact the ability of Rogue Wind to comply with certain time undertakings with third parties and could cause, among other things, among the possible consequences, payment of agreed compensation.

[46] As at the approval date of the report, there is still no certainty regarding the cost of the project, its construction and the accompanying expenses involved with it. It is further noted that there could be an increase in the construction expenses due to an increase in inflation and a rise in prices in the sector. Accordingly, the amount shown in the table is subject to additional changes, including due to the global rise in equipment and shipping prices, as has been visible in the past year and/or other costs.

6. Initiation and Construction Projects (Cont.)

B. Additional details regarding initiation and construction projects

1. Maple Hill project[47]

As at the approval date of the report, the PJM project is expected to be executed in the second quarter of 2023.

For details regarding a long-term agreement for sale of about half of the electricity (PPA), including hedging of the price of the electricity with a fixed price, and an undertaking with an international energy company for sale of 100% of the project's solar renewable energy certificates (RECs) – see Section 8.14.7 of Part A (Description of the Company's Business).

For details regarding impacts of the IRS Law on the project – see Section 3H above.

For details regarding performance of work for conformance and installation of solar panels on the project site – see Sections 8.13.2 and 8.14.7 of Part A (Description of the Company's Business).

2. Stagecoach project

For details regarding a long-term agreement for sale of all of the electricity (PPA) with a local utility company, including hedging of the electricity with a fixed price, and an undertaking with a global company for sale of 100% of the project's solar renewable energy certificates (RECs) – see Section 8.14.7 of Part A (Description of the Company's Business).

For details regarding the impacts of the IRA Law on the project – see Section 3.3H above.

3. Rogue's Wind project

As at the approval date of the report, the project was issued an agreement for connection to the PJM.

For details regarding a long-term agreement for sale of all of the electricity (PPA), including renewable energy certificates (RECs) – see Section 8.14.7 of Part A (Description of the Company's Business).

For details regarding the impacts of the IRA Law on the project – see Section 3.3H above.

[47] **That stated below regarding the Maple Hill project, including in connection with the commercial operation date, completion of the construction work and connection of the equipment, entitlement to benefits under the IRA Law, date and execution of the connection and the costs related to execution of the project, constitutes "forward-looking" information as it is defined in the Securities Law, which is based solely on estimates as at the approval date of the report, regarding which there is no certainty it will be realized. Ultimately, the impacts of the IRA Law could be different, among other things as a result of the detailed regulatory arrangements that will be determined, compliance with the eligibility conditions and advancement of the project. In addition, there could be additional delays in the construction and installation of the equipment and/or connection to the grid. Delays, as stated, could impact, among other things, the project's costs.**

6. Initiation and Construction Projects (Cont.)

B. Developments regarding initiation and construction projects (Cont.)

4. Framework agreement for acquisition of solar panels[48]

For details regarding a framework agreement for acquisition of solar panels of the CPV Group, in the aggregate amount of about 530 megawatts – see Section 8.13.2 of Part A (Description of the Company's Business).

As at the approval date of the report, the CPV Group had begun receiving shipments of solar panels, some of which are presently undergoing tests in order to examine their compliance with the specification requirements and as a result thereof and assimilation of revisionary actions for compliance with the required specifications, as stated. As at the approval date of the report, the aforesaid revisionary actions had not yet been completed, and a delay in the completion thereof could impact the projected completion of the construction/development projects.

5. Reform in the process of handling requests for connection to the PJM network – in 2022, a reform was made with respect to the process of handling requests for connection to the PJM network – see Section 8.1.2.2 of Part A (Description of the Company's Business).

In the estimation of the CPV Group, application of the said reform, could cause a delay of about two years in the timetables for construction and operation of certain projects in the PJM market depending on, among other things, the required network upgrading costs and their place in the connection process. It is noted that the Maple Hill and Three Rivers projects, which are presently in the construction stages, are not expected to be impacted by the Reform[49].

[48] **That stated above regarding completion of acquisition of the panels, including the scope of the acquisition and the related cost, supply dates and execution of projects in the development or construction stages includes "forward-looking" information, regarding which there is no certainty it will be realized. As at the date of the report, completion of acquisition of the panels and execution of the development or construction projects are subject to, among other things, completion of the development or construction stages, receipt of permits required for their construction, an absence of technical breakdowns and a lack of supply delays. Ultimately, that stated may not be realized or may be realized in a different manner, including due to an increase in costs as a result of technical breakdowns or failures, inflation or disruptions in the supply chain.**

[49] That stated above with reference to the dates and actions relating to of the Reform of the PJM, as well as the impacts relating to the Reform of the PJM on the projects of the CPV Group, includes "forward-looking" information, as it is defined in the Securities Law, regarding which there is no certainty it will be realized or the manner in which it will be realized, and which is dependent on, among other things, factors that are not under the Company's control.

6. Initiation and Construction Projects (Cont.)

6. Power plants powered by natural gas for generation of electricity with carbon capture[50]

The CPV Group is developing two power plants with reduced emissions that are powered by natural gas based on use of advanced technologies for carbon capture – one in West Virginia with an estimated scope of about 2 gigawatts and the other in Texas with an estimated scope of about 1.3 gigawatts. The projects are expected to include carbon capture on the sites in the estimated scope of up to at least about 95% of the emissions, and the gas turbines are capable of integrating hydrogenium. In the estimation of the CPV Group, the projects are located in areas where interment of carbon is expected to be possible from a geological and economically standpoint.

In the assessment of the CPV Group, the cost of construction of projects of this scope is estimated at about $2 million to $2.5 million per megawatt. The projects, if ultimately executed, are expected to enjoy the tax benefits provided by the IRA Law. Construction of the project is subject to, among other things, completion of various development processes (environmental, technological, land development, etc.), licensing and financing processes, and receipt of the relevant required approvals, as well as approval of the competent organs of the Company and of the CPV Group.

In the estimation of the CPV Group, completion of the development process for a project of this size, is expected, assuming it is ultimately completed, to reach the construction stage in the upcoming years.

[50] **That stated in this Section above regarding the development projects that are based on a strategy of reduced emissions or carbon capture, the capacity of the projects, the scope of the reduced emissions, integration of advanced technologies and conformance of the geological and economic conditions, as well as with reference to the project's technological characteristics in West Virginia (capacity, carbon capture capacity and storage), estimated construction costs, entitlement to benefits, expected construction and/or operation dates, includes "forward-looking" information, as it is defined in the Securities Law, which is based solely on estimates and plans of the CPV Group as at the approval date of the report and regarding which there is no certainty it will be realized or the manner of its realization. As at the approval date of the report, the projects are in the development stages, and their actual advancement and the rate of the said advancement are subject to the existence of various conditions (such as, receipt of approvals, licensing processes, completion of the project development and technological capabilities, assurance of financing, formulation of final costs, etc.), including those that are not under the control of the CPV Group and that had not been fulfilled as at the approval date of this report. In addition, advancement of the projects and their approval are subject to the discretion of the competent organs of the CPV Group and of the Company, and the non-realization of one or more of the risk factors to which the Company and/or the CPV Group are exposed. As stated in Section 8.21 of Part A (Description of the Company's Business). Therefore, as at the approval date of this report, there is no certainty regarding the actual execution of the projects (in whole or in part).**

6. Initiation and Construction Projects (Cont.)

7. Backlog of development projects

Set forth below is a summary of the scope of the development projects (in megawatts) in the United States as at the approval date of the report[51]:

Technology	Advanced[52]	Early stage	Total
Solar[53]	1,650	1,050	**2,700**
Wind	100	450	**550**
Total renewable energy	**1,750**	**1,500**	**3,250**
Carbon capture projects (natural gas with reduced emissions)	1,300	2,000	**3,300**
Total natural gas	650	600	**1,250**

[51] **The information presented in this section with reference to development projects of the CPV Group, including regarding the status of the projects and/or their characteristics (the capacity, technology, the possibility for integrated carbon capture, etc.), constitutes "forward-looking" information as it is defined in the Securities Law, regarding which there is no certainty it will be realized or the manner in which it will be realized. It is clarified that as at the approval date of the report there is no certainty regarding the actual execution of the development projects (in whole or in part), and their progress and the rate of their progress is subject to, among other things, completion of development and licensing processes, obtain control over the lands, signing agreements (such as equipment and construction agreements), execution of construction processes and completion of the connection process, assurance of financing and receipt of various regulatory approvals and permits. In addition, advancement of the development projects is subject to the discretion of the competent authorities of the CPV Group and of the Company.** It is noted that the Rogue's Wind project, having a capacity of 114 megawatts that is in the development stages, as stated in Section 8.1.1.6C to Part A (Description of the Company's Business), is included in the above table.

[52] In general, the CPV Group views projects that in its estimation are in a period of up to two years or up to three years to the start of the construction as projects in the advanced development stage (there is no certainty the development projects, including projects in the advanced stage, will be executed). That stated is impacted by, among other things, the scope of the project and the technology, and could change based on specific characteristics of a certain project, as well as from external circumstances that are relevant to a certain project, such as the anticipated activities' market or regulatory circumstances, including, projects that are designated to operate in the PJM market could be impacted by the changes in the proposed working framework described in Section 8.1.2.2(A) of Part A (Description of the Company's Business) and in this report below, and their progress could be delayed as a result of this proposal. It is clarified that in the early development stages (in particular), the scope of the projects and their characteristics are subject to changes, if and to the extent they reach advanced stages.

[53] The capacities in the solar technology included in this report are denominated in MWdc. The capacities in the solar technology projects in the advanced development stages and in the early development stages are about 1,300 MWac and about 1,850 MWac.

7. Financial Position as at December 31, 2022 (in millions of NIS)

Category	12/31/2022	12/31/2021	Board's Explanations
Current Assets			
Cash and cash equivalents	849	731	For additional information – see the Company's condensed consolidated statements of cash flows in the financial statements and Part 8 below.
Short-term deposits	125	–	The increase derives from a deposit of part of the cash balances in short-term deposits.
Short-term deposits and restricted cash	36	1	Most of the increase stems from deposit of collaterals, in the aggregate amount of about NIS 33 million, for purposes of assuring the Group's liabilities in connection with projects under construction in the U.S.
Trade receivables and accrued income	260	194	Most of the increase stems from an increase in accrued income in Israel, in the amount of about NIS 59 million, mainly as a result of the timing differences and an increase in the generation component tariff (as described in Section 3.3C above).
Receivables and debit balances	190	90	Most of the increase stems from an increase, in the amount of about NIS 70 million, in the balance of other receivables and debit balances in the U.S., mainly as a result of provision of collaterals in connection with transactions hedging electricity margins in Valley and an increase of about NIS 7 million due to an increase in the shekel/dollar exchange rate. In addition, there was an increase, in the amount of about NIS 8 million, in prepaid expenses.
Inventory	7	5	
Short-term derivative financial instruments	10	2	Most of the increase stems from an increase in the value of interest swap contracts in the U.S., against the background of the sharp rise in the dollar interest rate, in the amount of about NIS 8 million (for additional – see Note 23 to the Financial Statements).
Total current assets	**1,477**	**1,023**	

7. Financial Position as at December 31, 2022 (in millions of NIS) (Cont.)

Category	12/31/2022	12/31/2021	Board's Explanations
Non-Current Assets			
Long-term deposits and restricted cash	53	93	Most of the decrease stems from release of a monetary collateral, in the amount of about NIS 26 million, as part of an agreement for sale of electricity in a project in the U.S., and release of a monetary collateral, in the amount of about NIS 15 million, which was designated to secure a bank guarantee in Israel.
Long-term prepaid expenses and other receivable	179	178	
Investments in associated companies	2,296	1,696	The increase stems from an improvement of the results of the activities of the CPV Group and from an increase in the shekel/dollar exchange rate, in the amount of about NIS 241 million. For additional details regarding investments in associated companies – see Sections 4D and 5D above.
Deferred tax assets	22	59	Most of the decrease stems from improvement of the activities of the CPV Group.
Long-term derivative financial instruments	57	36	The increase stems mainly from an increase in the fair value of index SWAP contracts in Israel, in the amount of about NIS 10 million – this being against the background of the significant increase in the rate of inflation, and an increase in the fair value of interest SWAP contracts in the United States, in the amount of about NIS 14 million – this being against the background of sharp rise in the dollar interest rate (for additional details – see Note 23 to the Financial Statements).
Property, plant and equipment	4,324	3,594	Most of the increase stems from investments in Israel (mainly in construction and development projects), in the amount of about NIS 503 million, along with an investment in construction and development projects in the U.S., in the amount of about NIS 291 million. In addition, there was an increase of about NIS 70 million, due to an increase in the shekel/dollar exchange rate. This increase was partly offset by depreciation expenses in respect of property, plant and equipment in Israel, in the aggregate amount of about NIS 134 million.
Right-of use assets	347	302	Most of the increase derives from an increase in a right-of-use asset in the U.S., in the amount of about NIS 26 million, as a result of signing of an agreement for a long-term lease of land in the Stagecoach project (for additional details – see Section 6D above) and an increase in a right-of-use asset in Israel, in the amount of about NIS 32 million, due to operation of a PRMS facility in Zomet. This increase was partly offset by depreciation expenses in respect of right-of-use assets, in the aggregate amount of about NIS 21 million.

7. Financial Position as at December 31, 2022 (in millions of NIS) (Cont.)

Category	12/31/2022	12/31/2021	Board's Explanations
Non-Current Assets (Cont.)			
Intangible assets	777	698	Most of the increase derives from an increase, in the amount of about NIS 83 million, in intangible assets in the U.S. due to an increase in the shekel/dollar exchange rate, and an increase in intangible assets of construction projects in the U.S., in the amount of about NIS 20 million. On the other hand, there was a decrease of about NIS 35 million relating to amortization of intangible assets in the U.S.
Total non-current assets	**8,055**	**6,656**	
Total assets	**9,532**	**7,679**	

7. Financial Position as at December 31, 2022 (in millions of NIS) (Cont.)

Category	12/31/2022	12/31/2021	Board's Explanations
Current Liabilities			
Current maturities of loans from banks and financial institutions	92	68	Most of the increase stems from update of the current maturities of the project credit in Israel and the U.S. based on the repayment schedules, in the amounts of about NIS 55 million and about NIS 35 million, respectively. On the other hand, there was a decrease stemming from repayment of project credit in Israel and the U.S. based on the repayment schedules, in the amount of about NIS 37 million and about NIS 35 million, respectively.
Current maturities of loans from holders of non-controlling interests	13	29	Most of the decrease stems from update of the current maturities of the loans based on the Company's expectation regarding the repayment schedule of the debt from holders of non-controlling interests in Rotem, in the amount of about NIS 20 million.
Current maturities of debentures	33	22	The increase stems from update of the current maturities of the debentures based on the repayment schedules, in the amount of about NIS 33 million. On the other hand, there was a decline stemming from repayment of debentures based on the repayment schedule, in the amount of about NIS 22 million.
Trade payables	335	468	Most of the decrease stems from a net decline in the balances of suppliers of projects under construction in Israel, in the amount of about NIS 75 million, a decline in the balance with the System Operator, in the amount of about NIS 57 million, mostly as a result of timing differences, and decline in the scope of the purchases of electricity from Israel Electric Company Ltd. ("the Electric Company"), and a decline in the balance with the Rotem maintenance contractor, in the amount of about NIS 35 million. This decline was offset by an increase, in the amount of about NIS 13 million, in the balances with the gas suppliers due to an increase in gas acquisitions.
Payables and other credit balances	110	87	Most of the increase derives from an increase, in the amount of about NIS 15 million, in respect of liabilities for employee wages and payroll-related agencies.
Short-term derivative financial instruments	3	27	Most of the decrease, in the amount of about NIS 18 million, stems from a decline in the fair value of forward transactions on the dollar currency designated for hedging cash flows in Zomet (for additional details – see Note 23D to the financial statements.
Current maturities of lease liabilities	61	59	
Current tax liabilities	2	–	
Total current liabilities	**649**	**760**	

7. Financial Position as at December 31, 2022 (in millions of NIS) (Cont.)

Category	12/31/2022	12/31/2021	Board's Explanations
Non-Current Liabilities			
Long-term loans from banks and financial institutions	1,724	1,451	Most of the increase is due to withdrawals, in the amount of about NIS 291 million in the framework of the Zomet Financing Agreement, an increase in the linkage differences in respect of the project debt in Israel in the amount of about NIS 24 million, and in respect of an increase of about NIS 34 million in project credit in the U.S., due to an increase in the shekel/dollar exchange rate. The increase was partly offset by a decrease, in the amounts of about NIS 44 million and about NIS 35 million, as a result of update of the current maturities of the project credit in Israel and in the U.S., respectively.
Long-term loans from holders of non-controlling interests and others	424	404	Most of the increase stems from an increase in the balance of the long-term loans from holders of non-controlling interests in the CPV Group, where an increase of about NIS 55 million is in respect of additional loans provided to the Company and accrual of interest to the principal in the period of the report, and an increase of about NIS 29 million due to an increase of the shekel/dollar exchange rate. This increase was partly offset by a decrease, in the amount of about NIS 61 million, in loans from holders non-controlling interests in Rotem due to repayment and update of the current maturities of the loans.
Debentures	1,807	1,789	The increase stems from an increase in the linkage differences in respect of the debentures (Series B), in the amount of about NIS 50 million. On the other hand, there was a decrease deriving from update of the current maturities of the debentures (Series B), in the amount of about NIS 31 million.
Long-term lease liabilities	69	44	Most of the increase, in the amount of about NIS 26 million, as a result of signing a land lease agreement in the Stagecoach project in the U.S.
Other long-term liabilities	146	91	Most of the increase, in the amount of about NIS 46 million, stems from an update of the benefit from a profit-sharing plan for employees of the CPV Group, which is accounted for as a share-based payment transaction settled in cash (for additional details – see Note 18C to the Financial Statements), and an increase, in the amount of about NIS 15 million, in the U.S. due to an increase in the shekel/dollar exchange rate.
Liabilities for deferred taxes	347	299	An increase, in the amount of about NIS 38 million, is due to update of the deferred taxes as a result of recording of deferred taxes relating to temporary differences in Israel, and an increase of about NIS 6 million stemming from the activities of the CPV Group.
Total non-current liabilities	**4,517**	**4,078**	
Total liabilities	**5,166**	**4,838**	

8. Liquidity and sources of financing (in NIS millions)

Category	For the Year Ended 12/31/2022	12/31/2021	Board's Explanations
Cash flows provided by operating activities	207	385	Most of the decrease in the cash flows provided by operating activities stems from a decrease in the Group's working capital, in the amount of about NIS 103 million, and a decrease in the current operating activities, in the amount of about NIS 39 million. In addition, there was a decrease in income from dividends from associated companies, in the amount of about NIS 32 million.
Cash flows used in investing activities	(1,102)	(898)	Most of the increase in the cash flows used in investing activities stems from the fact that in 2021 short-term deposits were released, in the amount of about NIS 1,607 million, and the amount of about NIS 154 million was received in respect of repayment of partnership capital mainly due to sale of part of the holdings of the CPV Group in the Three Rivers project. In addition, in 2022, there was an increase in acquisition of intangible assets, in the amount of about NIS 30 million, an increase in investments in projects in Israel, in the amount of about NIS 122 million, a decrease in restricted cash, net, that was released, in the amount of about NIS 339 million, and short-term deposits were made, in the amount of about NIS 125 million. This increase was partly offset by acquisitions made by the Company in 2021 of the CPV Group and Gnrgy, for considerations in the amounts of about NIS 2,140 million and about NIS 38 million, respectively.

8. Liquidity and sources of financing (in NIS millions) (Cont.)

Category	For the Year Ended 12/31/2022	For the Year Ended 12/31/2021	Board's Explanations
Cash flows provided by financing activities	986	997	Set forth below are the highlights of the cash flows provided by financing activities in 2022: cash was provided to the Group from investments and loans from holders of non-controlling interests in the CPV Group, in the amount of about NIS 161 million, receipt long-term loans, in the amount of about NIS 291 million, from Zomet's financing agreement framework, and raising net cash, in the amount of about NIS 815 million, stemming from issuance of shares. On the other hand, the Group paid about NIS 267 million for purposes of current repayments of loans and debentures. Set forth below are the highlights of the cash flows provided by financing activities in 2021: cash was provided to the Group from investments and loans from holders of non-controlling interests in the CPV Group and Rotem, in the amount of about NIS 824 million and about NIS 226 million, respectively, receipt of long-term loans under the new financing agreement in the Keenan project, in the amount of about NIS 333 million, receipt of long-term loans, in the amount of about NIS 349 million, under Zomet's financing agreement framework. In addition, the Company raised net cash, in the amounts of about NIS 674 million and about NIS 842 million, as a result of issuance of shares and debentures (Series B), respectively. On the other hand, the Group paid about NIS 1,292 million for purposes of early repayment of Rotem's financing agreement, in the amount of about NIS 594 million for repayment of loans in the CPV Group (of which about NIS 244 million relates to repayment of a prior loan in the Keenan project and about NIS 175 million is in respect of repayment of the seller's loan in 2021), and the amount of about NIS 212 million for current payments of loans and debentures. Furthermore, the Group acquired the rights of the tax partner in the Keenan project, for a consideration of about NIS 82 million.

8. Liquidity and sources of financing (in NIS millions) (Cont.)

Category	For the Three Months Ended 12/31/2022	12/31/2021	Board's Explanations
Cash flows provided by (used in) operating activities	(64)	122	Most of the increase in the cash flows used in operating activities stems from a decrease in the Group's working capital, in the amount of about NIS 169 million, and a decrease in the current operating activities, in the amount of about NIS 11 million.
Cash flows used in investing activities	(312)	(148)	Most of the increase in the cash flows used in investing activities derives from a decrease in restricted cash, net, that was released, in the amount of about NIS 137 million. In addition, in the fourth quarter of 2022, short-term deposits were made, in the amount of about NIS 125 million. This increase was partly offset by a decrease in investments in projects in Israel, in the amount of about NIS 97 million.
Cash flows provided by (used in) financing activities	14	(770)	Set forth below are the highlights of the cash flows used in financing activities in the fourth quarter of 2021: the Group paid about NIS 1,292 million for early repayment of Rotem financing, and the amount of about NIS 175 million in respect of repayment of loans in the CPV Group (due to payment of the seller's loan in 2021). On the other hand, cash was provided to the Group from investment and loans of holders of non-controlling interests in the CPV Group and Rotem, in the amounts of about NIS 97 million and about NIS 226 million, respectively, and receipt of long-term loans, in the amount of about NIS 87 million, from Zomet's financing agreement framework. Furthermore, the Company raised net cash, in the amount of about NIS 309 million, stemming from issuance of shares.

For additional details – see the Company's consolidated statements of cash flows in the financial statements.

The Group's working capital (current assets less current liabilities) amounted to about NIS 828 million, and about NIS 263 million as at December 31, 2022 and 2021, respectively.

As at December 31, 2022, there are no warning signs in accordance with Regulation 10(B)(14) of the Reporting Regulations that require publication of a "forecasted cash flow" statement by the Company.

9. Adjusted financial debt, net

A. Compositions of the adjusted financial debt, net

The Company defines "financial debt, net" as loans from banks and financial institutions, debentures and interest payable less cash and cash equivalents, deposits and restricted cash that are intended to service the debt. The adjusted financial debt, net, includes the net financial debt of the Company, its consolidated subsidiaries and the net financial debt of its associated companies in the U.S. based on the rate of holdings of the CPV Group in these companies.

The following table details the adjusted financial debt, net, as at December 31, 2022 (in millions of NIS)[54]:

	Method of presentation in the Company's financial statements	Debt (including interest payable)	Cash and cash equivalents and deposits*	Restricted cash used for debt service reserves	Net debt
The Company	Consolidated	1,854	584	–	1,270
Rotem	Consolidated	–	25	–	(25)
Hadera	Consolidated	670	8	50	612
Zomet	Consolidated	833	9	–	824
Gnrgy	Consolidated	4	11	–	(7)
Others in Israel (1)	Consolidated	–	96	–	(96)
Total Israel and headquarters		**3,361**	**733**	**50**	**2,578**
Keenan (renewable energy)	Consolidated	310	2	1	307
Maple Hill (renewable energy)	Consolidated	–	11	–	(11)
Fairview	Associate	442	1	–	441
Towantic	Associate	509	37	2	470
Maryland (2)	Associate	300	6	–	294
Shore (2)	Associate	607	16	–	591
Valley (3)	Associate	895	2	–	893
Three Rivers	Associate	290	–	–	290
Others in the U.S.	Consolidated	–	228	–	(228)
Total U.S.		**3,353**	**303**	**3**	**3,047**
Total adjusted financial debt, net		**6,714**	**1,036**	**53**	**5,625**

* Including balances of restricted cash that serve for financing the current ongoing activities of the associated companies.

(1) The balance of the cash in the "Others in Israel" category includes the cash balance in OPC Power Plants Ltd., in the amount of about NIS 82 million.

(2) Companies in the CPV Group are subject to financial covenants by force of the various financial agreements. As at the date of the financial statements, the companies are in compliance with all the financial covenants determined. As part of the financial agreements, an historical debt-service coverage ratio financial covenant of 1:1 during the last four quarters was determined for Shore and Maryland. As at the date of the financial statements, Maryland and Shore are in compliance with the benchmark (2.53 and 1.11, respectively).

[54] In addition, the Group has liabilities to the holders of non-controlling interests, the balance of which as at December 31, 2022 is about NIS 437 million and the weighted rate of interest in respect thereof is 5.5%.

9. Adjusted financial debt, net (Cont.)

A. Compositions of the adjusted financial debt, net (Cont.)

(3) The financial statements of Valley as at December 31, 2022, include disclosure regarding circumstances relating to Valley's ability to pay its liabilities based on its credit agreement, in the amount about $405 million (the share of the CPV Group – 50%) on the contractual repayment date of the said liabilities, which falls on June 30, 2023. As at the approval date of the report, Valley is holding talks with the lenders regarding extension of the loan on the terms detailed in Note 26D to the financial statements. As at the date of the report, the parties are still in the midst of talks and there is no certainty regarding the extension transaction or its terms. If an extension, as stated, is not agreed to, it is not expected that Valley will be able to repay the loan on June 30, 2023 based on its cash flows from current operating activities, however, Valley's management expects its will be able to extend or refinance its liabilities under the credit agreement prior to that date[55]. As at the approval date of the report, the said circumstances have no impact on the financial results and activities of the Group and of Valley[56].

(4) The debt of the associated companies is partly Libor interest plus a margin, where most of the debt is fixed during the various loan periods and is not impacted by changes in the Libor interest, as detailed below. It is noted that the CPV Group has commenced processes for revision of the credit agreements and the agreements hedging the interest rate for transfer (replacement) of all the LIBOR-based financed to SOFR-based financed under every specific project financing agreement. All of the revisions to the agreements, as stated, are expected prior to June 30, 2023, the date on which use of the LIBOR interest is expected to be discontinued.

[55] As at the approval date of the report, Valley submitted a request for receipt of a Title V environmental operation permit (which is required in order to replace the prior ASF permit), and in the meantime it is permitted to continue its activities under the prior permit until a final decision is made (after exhaustion of an appeal in the case of a rejection) regarding the Title V permit. Up to the receipt of a Title V permit (if received), the terms of Valley's new or amended financing agreements could be unfavorably impacted by the fact that receipt of the permit has not yet been completed. As at the approval date of the report, there is no certainty regarding receipt of a Title V permit or the timing of its receipt. **That stated above includes "forward-looking" information as it is defined in the Securities Law, which is based on the estimates of the CPV Group. Ultimately, the proceedings regarding the Title V permit could be different due to regulatory decisions, changes in regulation or policy that will be made by the relevant authorities, in such a manner that would have negative impact on Valley's activities.**

[56] The estimate regarding the possibility of renewal or extension of Valley's financing agreement constitutes "forward-looking" information as it is defined in the Securities Law, which is based on the estimates of the CPV Group as at the approval date of the report and regarding which there is no certainty it will materialize due to, among other things, factors that are not under the CPV Group's control. For details regarding Valley, including conditions of the financing agreement and permit status – see Section 8.17.4 of Part A (Description of the Company's Business) and Note 26D(3) to the financial statements. It is clarified that to the extent the financing agreement is not renewed or extended, repayment of the loans granted thereunder will be required on the date stated, and it is also noted that extension of the financing agreement (if extended) could be conditioned on conditions of the lenders or conditions that are less favorable than the present financing conditions, which as at the approval date of the report had not yet been formulated.

9. Adjusted financial debt, net (Cont.)

B. Interest and linkage bases

The following table details the adjusted financial debt as at December 31, 2022 (in millions of NIS) broken down into debt with unlinked fixed interest / fixed debt, debt bearing fixed CPI-linked interest and debt bearing interest linked to the prime rate of interest.

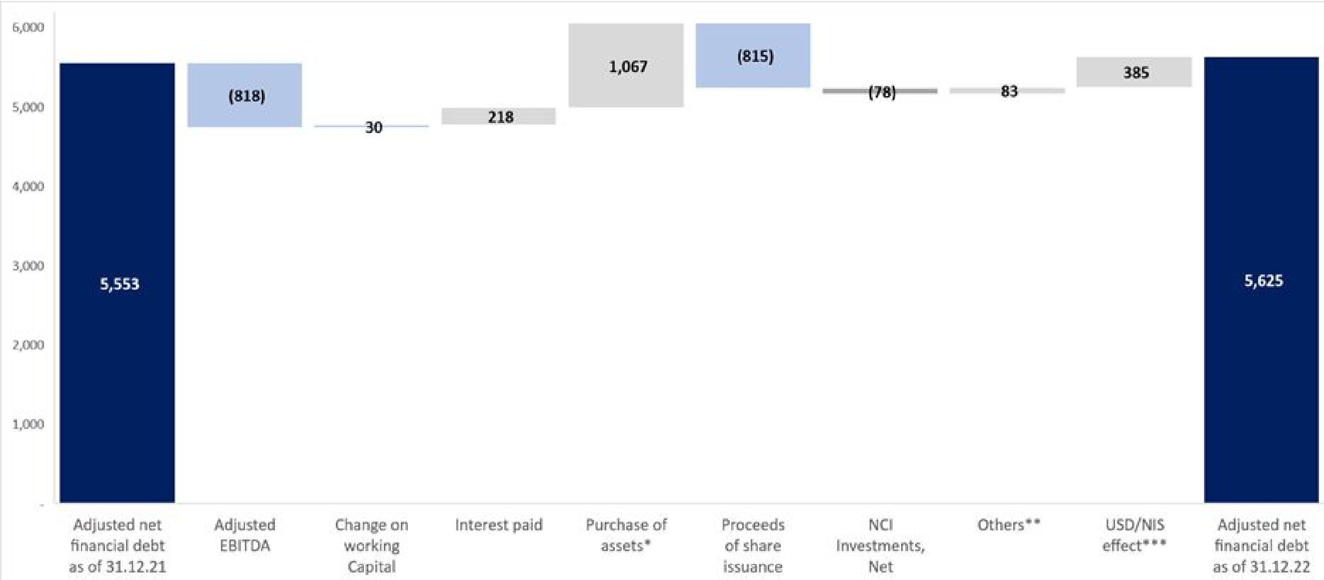
	Total debt	Debt with unlinked fixed interest / fixed debt		Debt with fixed interest linked to the CPI		Debt linked to prime rate of interest		Weighted-average interest as at 12/31/2022
		Total	Interest	Total	Interest	Total	Interest	
The Company (debentures)	1,854	851	2.5%	1,003	2.8%	–	–	2.6%
Hadera (bank)	670	531	5.3%	139	3.5%	–	–	4.9%
Zomet (bank)	833	–	–	–	–	833	5.7%	5.7%
Gnrgy	4	4	4.0%	–	–	–	–	4.0%

The following table details the adjusted financial debt as at December 31, 2022 (in millions of NIS) broken down into debt bearing fixed interest and debt linked to LIBOR. The debt includes the financial debt (100%) of the subsidiary (Keenan) and the net financial debt of the associated companies in the U.S. on the basis of the rate of holdings of the CPV Group in these companies:

	Rate of holdings	Total debt	Fixed debt		Debt with interest linked to the LIBOR			Weighted-average interest as at 12/31/2022
			Total	Interest	Total	Linkage	Interest	
Keenan	100%	310	219	2.1%	91	L+1.1%	5.1%	3.0%
Fairview	25%	442	419	4.8%	24	L+2.5%	6.5%	4.9%
Towantic	26%	509	352	5.1%	157	L+3.1%	7.1%	5.7%
Maryland	25%	300	201	5.9%	98	L+3.6%	7.6%	6.5%
Shore	37.53%	607	341	5.1%	266	L+3.5%	7.4%	6.1%
Valley	50%	895	407	6.5%	488	L+3.8%	7.7%	7.2%
Three Rivers	10%	290	238	4.1%	52	L+3.6%	7.6%	4.7%

9. Adjusted financial debt, net (Cont.)

Movement in the adjusted financial debt, net, for the year ended December 31, 2022:



(*) Includes the amount of about NIS 104 million in respect of current payments and the amount of about NIS 906 million in respect of payments relating to construction projects and NIS 57 in respect of past payments.

(**) Most of the increase, in the amount of about NIS 74 million, deriving from linkage differences in respect of CPI-linked loans of the Group in Israel and the amount of about NIS 28 million, due to interest accrued to the principal of the loans relating to Zomet's senior debt. On the other hand, there was a decline, in the amount of about NIS 25 million, as a result of release of restricted cash, net.

(***) In respect of translation of the net financial debt of the U.S. which is denominated in dollars into the Company's functional currency.

9. Adjusted financial debt, net (Cont.)

A. Compositions of the adjusted financial debt, net (Cont.)

The following table details the financial debt, net, of the Company and its subsidiaries and associated companies (adjusted net debt of the associated companies is presented based on the rate of holdings of the CPV Group in these companies) as at December 31, 2021 (in millions of NIS):

	Method of presentation in the Company's financial statements	Debt (including interest payable)	Cash and cash equivalents and deposits*	Restricted cash used for debt service reserves	Net debt
The Company	Consolidated	1,824	268	–	1,556
Rotem	Consolidated	–	53	–	(53)
Hadera	Consolidated	681	24	45	612
Zomet	Consolidated	528	74	–	454
Gnrgy	Consolidated	5	26	–	(21)
Others in Israel	Consolidated	–	106	–	(106)
Total Israel and headquarters		**3,038**	**551**	**45**	**2,442**
Keenan	Consolidated	305	3	–	302
Maple Hill	Consolidated	–	45	–	(45)
Fairview	Associate	515	3	–	512
Towantic	Associate	483	1	–	482
Maryland	Associate	288	–	–	288
Shore	Associate	588	2	–	586
Valley	Associate	898	–	–	898
Three Rivers	Associate	220	–	–	220
Others in the U.S.	Consolidated	–	132	–	(132)
Total U.S.		**3,297**	**186**	**–**	**3,111**
Total adjusted financial debt, net		**6,335**	**737**	**45**	**5,553**

* Including balances of restricted cash that serve for financing the current ongoing activities of the associated companies.

B. Financial covenants

The Company and its investee companies are subject to financial covenants provided in their financing agreements and trust certificates. As at the date of the financial statements, the Company and its investee companies were in compliance with all the financial covenants provided. For detail regarding the covenants for violation, relating to significant loans and debentures – see Notes 16B(5) and 17B to the financial statements[57]:

[57] For a description of the material financial covenants of the Company and the investee companies – see Sections 7.18.3 and 10.45 to Part A (Description of the Company's Business).

10. Additional Events in the Company's Areas of Activity

Activities in Israel

A. Acquisition of a power plant in the Kiryat Gat Industrial Zone – for additional details regarding the acquisition transaction of the Gat power plant – see Note 28D to the Financial Statements.

It is noted that as at the approval date of the report, all of the preconditions had not yet been fulfilled and all of the required approvals had not yet been received and, therefore, as at the approval date of the report there is no certainty the transaction will ultimately be completed. In addition, as at the approval date of the report the amount of the consideration and the costs involved with the transaction are not final and could change due to, among other things, various adjustments provided in the acquisition agreement.

B. Transaction for investment and a structural change in the area of activities in Israel – for additional details regarding the transaction, the terms of the shareholders' agreement and the completion thereof subsequent to the date of the report. – see Note 29A to the Financial Statements.

C. Flowing of first gas from the Karish reservoir (Energean agreement) – in October 2022, Energean published that it commenced flowing the first gas from the Karish reservoir.

In the Company's estimation, upon the commercial operation of the Karish reservoir, an annual monetary savings is expected estimated at about NIS 60 million, based on the average projected gas consumption of Rotem and Hadera[58].

For additional details regarding the Energean agreements – see Section 7.14.6 of Part A (Description of the Company's Business) and Note 28C(3) to the financial statements.

[58] **That stated above, including regarding dates (also with reference to the commercial operation date of the Karish Tanin reservoir), the final gas quantities under each of the gas agreements and/or the defense exposures relating to operation of the reservoir, and/or regarding estimate of the expected monetary savings, includes "forward-looking" information, as it is defined in the Securities Law, regarding which there is no certainty it will be realized or the manner of its realization, which is dependent on, among other things, factors that are not under the Company's control, operating factors, third parties, changes in the actual gas consumption, currency rate of exchange, etc. A delay in the commercial operation of the Karish Tanin reservoir (particularly a significant delay beyond the period of the Reduction Notification) could have a negative impact, even a significant one, on the activities and results of Rotem and Hadera and, accordingly, on the results of the Company's activities.**

10. Additional Events Occurring that Occurred in the Period of the Report and Thereafter (Cont.)

Activities in Israel (Cont.)

D. Tender for sale of Eshkol as part of the reform of Israel Electric Company[59] – in July 2022, a notification was received from the Electric Company that the Company has passed the early classification stage in the tender[60]. For additional details regarding the reform in the Electric Company – see Section 7.2.11 of Part A (Description of the Company's Business).

E. Sorek Center – as at the approval date of the report, the Company received (through a subsidiary) notification that it successfully passed the preliminary classification stage in a tender with respect to a PPP-type project, for financing, planning, construction, operation, maintenance, and transfer to the State of a two-fuel conventional power plant that is designated to be constructed in Sorek, with a capacity of 600–900 megawatts, with an option for future expansion, as will be determined by the Electricity Authority[61].

Activities in the U.S.

F. For details regarding signing of an agreement for purchase of all rights (100%) in four operating wind-powered electricity generation power plants, with an aggregate capacity of 81.5 MW, in New England, United States for a consideration for an aggregate amount of $172 million in cash, which is subject to adjustments on the closing date of the transaction – see Section 8.1.1.6 to Part A (Description of the Company's Business). It is clarified that as at the approval date of the Financial Statements, execution of the purchase and completion of the transaction are subject to preconditions that had not yet been fulfilled.

The Group in general

G. Raising of capital – regarding issuances of ordinary shares of the Company as part of an issuance to the public and a private issuance to classified investors in July and September 2022, respectively – see Note 20B to the financial statements.

H. Senior officers – for details regarding the Company's senior officers in 2022 – see Section 9.2.2 to Part A (Description of the Company's Business).

I. Extension of the period of the Company's shelf prospectus – as at the approval date of the report, the validity of the Company's shelf prospectus is July 30, 2023.

J. Reconfirmation of issuer's rating – for details – see Note 17 to the financial statements.

K. Renewal of credit frameworks – for details regarding binding credit frameworks in effect as at the date of the report – see Note 16B(3) to the financial statements.

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[59] For additional details – see Section 7.2.11.2 of Part A (Description of the Company's Business).
[60] It is clarified that there is no certainty that the Company will submit a purchase offer (bid) as part of the tender. Submission of a bid, as stated, is subject to, among other things, the discretion of the Company's competent authorities.
[61] It is clarified that there is no certainty that the Company will submit a purchase offer as part of the tender. Submission of an offer, as stated, is subject to, among other things, the discretion of the Company competent organs.

11. Debentures (Series B) and (Series C)

11.1 Set forth below are details regarding the Company's debentures (Series B):

Name of the series	Series B
Issuance date	April 26, 2020
Total nominal value on the date of issuance (including expansion of the series made in October 2020)	About NIS 956 million par value
Nominal value on the date of the report	About NIS 917 million par value
Nominal value after revaluation based on the linkage terms	About NIS 984 million par value
Amount of the interest accrued as included in the financial statements as at December 31, 2022	About NIS 6 million
The fair value as included in the financial statements as at December 31, 2022	About NIS 983 million.
Stock market value on December 31, 2022	About NIS 983 million.
Type of interest and interest rate	Fixed annual interest at the rate of 2.75%.
Principal payment dates	16 unequal semi-annual payments, to be paid on March 31 and September 30 of each of the years from 2021 to 2028 (inclusive).
Interest payment dates	The interest on the outstanding balance as it will be from time to time on the principal of the debentures (Series B) is payable commencing from September 2020 twice a year (except for 2020) on September 30, 2020, and on March 31 and September 30 of each of the years from 2021 to 2028 (inclusive). The interest payments are to be made in respect of the period of six months that ended on the last day prior to the relevant interest payment date, except for the first interest payment that is to be made on September 30, 2020, and is to be paid for the period that commenced on the first trading day after the tender date of the debentures (Series B) and that ends on the last day prior to the said payment date, and is to be calculated based on the number of days in the said period and on the basis of 365 days per year.

11. Debentures (Series B) and (Series C) (Cont.)

11.1 Set forth below are details regarding the Company's debentures (Series B): (Cont.)

Linkage basis and terms	The principal of the debentures (Series B) and the interest thereon are linked to the increase in the Consumer Price Index (CPI) against the CPI for March 2020 that was published on April 15, 2020. The linkage terms will not be changed during the period of the debentures.
Are they convertible into another security	No.
Right of the Company to make early repayment	The Company has the right to make early repayment pursuant to the conditions in the trust certificate.
Was a guarantee provided for payment of the Company's liabilities based on the debentures	No.
Name of trustee	Reznik Paz Nevo Trustees Ltd.
Name of the party responsible for the series of liability certificates with the trustee	Michal Avatlon and/or Hagar Shaul
Contact information	Address: 14 Yad Harutzim St., Tel-Aviv Telephone: 03–6389200 Fax: 03–6389222 E–mail: Michal@rpn.co.il
Rating of the debentures since the issuance date	Rating of ilA– by S&P Global Ratings Maalot Ltd. ("Maalot") from February 2020 which was reconfirmed in August 2022 (Reference No.: 2022-01-101470).
Pledged assets	None. There is a future commitment that the Company will not create a general floating lien on its assets and rights, existing and future, in favor of any third party without the conditions stipulated in the trust certificate being fulfilled.
Is the series material	Yes.

11. Debentures (Series B) and (Series C) (Cont.)

11.2 Set forth below are details regarding the Company's debentures (Series C):

Name of the series	Series C
Issuance date	September 9, 2021
Total nominal value on the date of issuance	About NIS 851 million par value
Nominal value on the date of the report	About NIS 851 million par value
Nominal value after revaluation based on the linkage terms	The debentures are not linked.
Amount of the interest accrued as included in the financial statements as at December 31, 2022	About NIS 7 million.
The fair value as included in the financial statements as at December 31, 2022	About NIS 751 million.
Stock market value on December 31, 2022	About NIS 751 million.
Type of interest and interest rate	Fixed annual interest at the rate of 2.5%.
Principal payment dates	12 unequal semi-annual payments, to be paid on February 28 and August 31 of each of the years from 2024 to 2030 (inclusive), except for 2028.
Interest payment dates	The interest on the outstanding balance as it will be from time to time on the principal of the debentures (Series C) is payable commencing from February 2022 twice a year on February 28 and on August 31 of each of the years from 2022 to 2030 (inclusive). The interest payments are to be made in respect of the period of six months that ended on the last day prior to the relevant interest payment date, and is to be in the amount of the annual interest divided by 2, except for the first interest payment that is to be made on February 28, 2022 and will be paid for the period that commenced on the first trading day after the tender date of the debentures (Series C) and that ends on the last day prior to the said payment date, and is to be calculated based on the number of days in the said period and on the basis of 365 days per year.

11. Debentures (Series B) and (Series C) (Cont.)

11.2 Set forth below are details regarding the Company's debentures (Series C): (Cont.)

Linkage basis and terms	The principal of the debentures (Series C) and the interest thereon are not linked to the Consumer Price Index (CPI) or any currency whatsoever.
Are they convertible into another security	No.
Right of the Company to make early repayment	The Company has the right to make early repayment pursuant to the conditions in the trust certificate.
Was a guarantee provided for payment of the Company's liabilities based on the debentures	No.
Name of trustee	Reznik Paz Nevo Trustees Ltd.
Name of the party responsible for the series of liability certificates with the trustee	Michal Avatlon and/or Hagar Shaul
Contact information	Address: 14 Yad Harutzim St., Tel-Aviv
	Telephone: 03–6389200 Fax: 03–6389222 E–mail: Michal@rpn.co.il
Rating of the debentures since the issuance date	Rating of ilA– by Maalot from August 2021 which was reconfirmed in on August 10, 2022 (Reference No.: 2022-01-101470).
Pledged assets	None. There is a future commitment that the Company will not create a general floating lien on its assets and rights, existing and future, in favor of any third party without the conditions stipulated in the trust certificate being fulfilled.
Is the series material	Yes.

The Company is in compliance with all the conditions of the Company's debentures (Series B and Series C) and the trust certificates. The Company was not required to take any action in accordance with the request of the trustees for the said debentures.

12. Impacts of changes in the macro-economic environment on the Group’s activities and its results

Changes in the macro-economic environment, which is characterized by high rates of inflation and interest-rate hikes, could impact the Group’s activities in a number of ways including, an impact on the electricity generation component (and as a result thereof an impact on the Company’s natural gas revenues and expenses) as well as on other index-linked revenues, an increase in fixed expenses (including wages), maintenance costs, project construction costs – both in and outside of Israel, equipment purchase costs and financing expenses in respect of the loans taken out and the debentures sold by the Group companies, which bear variable and/or CPI-linked interest. Furthermore, the increase in the interest rate could have an impact on the economic viability of development projects, the discount rates used to examine impairment of value of active projects and projects under construction or in the development stage and on the cash-generating units to which goodwill is allocated, as well as the fair value of the liability in respect of the profit-sharing plan in the CPV Group. It is noted that changes in the currency exchange rates, especially changes in the exchange rate of the U.S. dollar, also impact the Company. Considering the complexity of analyzing the effects of the aforementioned factors, in particular since some of them are indirect (and no direct) effects and the existence of interrelationships between the macroeconomic parameters, the company is unable to estimate the effects of changes in the macroeconomic parameters on the company's results as a whole. For more details regarding the effects of a change in the exchange rate of the dollar on the company's natural gas costs in 2022, a change and the effects of the CPI on financing expenses, as well as for an analysis of the exposue on the adjusted financial debt, net to changes in interest rates, see chapters 4,5 and 9 of this report.

The Company is in the practice of hedging index, currency and interest risks through use of forward transactions. For additional details, including sensitivity analyses to a change in the said parameters – see Note 23 to the financial statements.

13. <u>Very significant valuation – renewable energy segment in the U.S.</u>

Further to that stated in Note 12 to the financial statements regarding the goodwill balance created on the acquisition date of the CPV Group and that stated in Note 27 to the financial statements regarding a change in the Group's activity segments in the U.S. and allocation of the balance of the goodwill to the renewable energy segment in the U.S. ("the Segment"). As at the approval date of the report the Company performed a valuation for determination of the recoverable amount of the Segment for purposes of the annual examination of goodwill ("the Valuation"), by means of an external independent appraiser (BDO Ziv Haft). The Valuation was made at the level of the Segment since this is the lowest level at which the goodwill is monitored for internal management purposes. For additional details regarding examination of impairment of value of the Segment – see Note 12B to the financial statements.

Details in the valuation:

Subject matter of the valuation	Determination of the recoverable amount of the Segment for purposes of the annual examination of impairment of the value of goodwill in accordance with the provisions of IAS 36.
Date of the valuation	The effective date of the valuation: December 31, 2022. Date of the undertaking; September 2022. Signing date of the valuation: March 16, 2023.
Book value attributable to the assets of the Segment as at the valuation date	About $442 million.
Recoverable amount as determined based on the valuation	About $587 million, composed as follows: – Renewable energy projects (including projects under construction and a platform): $774 million. – Less allocation of headquarters costs and tax to the Segment: $187 million. The recoverable amount exceeds the carrying value of the Segment's assets in the books and, therefore, it is not necessary to recognize an impairment loss in the Company's books.

13. Very significant valuation – generation and supply of electricity in the U.S. segment by means of renewable energy (Cont.)

Set forth below is main data that is detailed in the valuation: (Cont.)

Identity of the appraiser and his characteristics	The valuation was performed by a team headed by Mr. Sagiv Mizrahi, CPA, a partner and team manager in the Corporate Finance Department. Sagiv has a Bachelor's degree in applied mathematics from Bar Ilan University and a Master's degree in business administration (MBA), with honors, and a specialization in financial management from Tel-Aviv University. Sagiv has more than 10 years of experience in the areas of business and economic consulting, valuations of companies and financial instruments and economic–accounting work of various types in accordance with International Financial Reporting Standards (IFRS) and generally accepted accounting principles in the U.S. (U.S GAAP). In the past, Sagiv was a lecturer at Bar Ilan University in accounting and valuations. BDO Ziv Haft, Consulting and Management Ltd. is part of the international BDO network, which provides a broad range of business services that are required by local and international businesses in every sector, among others: valuations of businesses, financial due diligence examinations and tax due diligence examinations, valuation of goodwill and intangible assets, mergers and acquisitions and others.
Valuation model	The recoverable amount was determined based on fair value less selling costs. With respect to projects in commercial operation, under construction or in the development stage that are expected to begin construction in the upcoming year – the DCF method by means of discounting the project's future pre-tax cash flows, at an after-tax weighted-average cost of capital (WACC). With respect to development projects that are expected to begin construction at a later date (including those in advanced development stages) – based on fair value per kilowatt and probability rate regarding realization. The value per kilowatt was estimated for a typical project through use of discounting the future after-tax cash flows at an after-tax weighted-average cost of capital (WACC).

13. Very significant valuation – generation and supply of electricity in the U.S. segment by means of renewable energy (Cont.)

Set forth below is main data that is detailed in the valuation: (Cont.)

The assumptions based on which the appraiser performed the valuation	The nominal dollar weighted-average cost of capital (WACC) was calculated for each significant project separately and ranges between 6.75% (an active project with PPA agreements for sale of electricity at the full capacity) and 8% depending on the status of the project (under construction or pre-construction and depending on the existence of a PPA agreement for sale of the full amount of the electricity / part of the capacity). Additional assumptions: – Forecast years – represents the period between January 1, 2023 and up to December 31, 2054, and is based on an estimate of the economic useful life of the power plants and their value at the end of the forecast period. – Market prices and capacity – the market prices (electricity, availability of RECs, etc.) based PPA agreements and market forecasts received from external, independent information sources, taking into account the region and the relevant market for each project and the relevant regulation. – Estimate of the construction costs of the projects and the eligibility for tax benefits in respect of projects under construction (ITC or PTC, as applicable). – Annual inflation rate – 2.3%.

Sensitivity analysis for changes in the main projects	An increase of 1% in WACC ($499 million). A decrease of 10% in the price of the electricity ($539 million). A decrease of 10% in the price of the RECs ($552 million). It is noted that even a combination of the said sensitivity scenarios will not lead to recognition of a loss from impairment in value.

Even though the said valuation meets the quantitative thresholds for a very significant valuation, which are included in the position of the Securities Authority 23–105 “Parameters for Examination of Materiality of Valuations”, this valuation is a valuation for purposes of impairment of value of a cash generating unit and in the in the Company’s estimation, based on the sensitivity analyses made by the appraiser (BDO Ziv Haft), as at the date of the report, under every reasonably possible change in the key assumptions for determination of the recoverable amount of the Segment, no very material impairment of value would have been recognized, if any, and therefore instead of attaching the valuation it is permissible to disclose the valuation as a material valuation in accordance with Regulation 8(I) of the Securities Regulations (Periodic and Immediate Reports), 1970.[62]

[62] After examination as stated in accordance with that stated in Section 3 of the Clarification to Legal Position No. 23-105 “Parameters for Examination of Materiality of Valuation: Questions and Answers”.

Corporate Governance

14. Directors having Accounting and Financial Expertise

As at the date of this report, seven of the members of the Company's Board of Directors have accounting and financial expertise. For details regarding the directors Aviad Kaufman, Antoin Bonaire, Robert Rosen, Jacob Worenklein, Yosef Tene, Michal Marom Brickman and Sarit Sagiv, who were classified as directors with accounting and financial expertise – see Regulation 26 of Chapter D (Additional Details regarding the Company).

The Board of Directors determined that the minimum number of directors having accounting and financial expertise in accordance with Section 92(A)(12) of the Companies Law, 1999, is two – this being taking into account the type of the Company, its size, the scope of its activities and the complexity of its activities.

15. Independent Directors

Except for the external directors Yosef Tena and Michal Merom Brickman, Ms. Sarit Sagiv serves as an independent director of the Company commencing from January 12, 2022. For details regarding the director Ms. Sarit Sagiv – see Regulation 26 of Chapter D (Additional Details regarding the Company).

On February 7. 2022, Mr. Moshe Lahmani concluded his service as an independent director of the Company.

As at the date of the report, the Company's Articles of Association do not include a provision regarding the rate of independent directors.

16. The Internal Auditor

Summary of Details	The Company
Name of the Internal Auditor	Ms. Shoshana Shidlo ("the Internal Auditor").
Education and professional experience	Certified Public Accountant and Certified Internal Auditor C.I.A. (U.S.) Holder of a degree in accounting and economics from Tel-Aviv University. Has more than 20 years' experience in the area of internal auditing.
Commencement date of service	January 17, 2019.
Compliance with legal requirements	To the best of the Company's knowledge, based on the Internal Auditor's declaration, the Internal Auditor meets the requirements of Section 146(b) of the Companies Law and the provisions of Section 8 of the Internal Audit Law, 1992 ("the Internal Audit Law").
Employment status	The Internal Auditor provides the Company internal audit services and is not employed by the Company in a full-time time position and, in addition, she does not hold an additional position in the Company other than her position as Internal Auditor.

Corporate Governance (Cont.)

16. The Internal Auditor (Cont.)

Manner of appointment	The appointment of the Internal Auditor was approved by the Board of Directors on January 17, 2019, following the recommendation of the Audit Committee on December 27, 2018. The Audit Committee and the Company's Board of Directors examined Internal Auditor's qualifications, education and experience in internal auditing.
The part to whom the Internal Auditor reports	The Chairman of the Board of Directors.
Other relationships the Internal Auditor has with the Company	To the best of the Company's knowledge, the Internal Auditor does not hold securities of the Company. The Internal Auditor is not an interested party in the Company or a relative of an interested party in the Company, nor is he a relative of the external auditor or a party acting on its behalf.
The work plan	The audit work plan for 2022 prepared by the Internal Auditor is for one year and is based on a multi-year work plan. The work plan of the Company and its subsidiaries was determined based on, among others, the following considerations: coverage of the Company's main areas of activity, risk centers and exposures known to the Internal Auditor and to management; a risks' survey that is prepared by the Company, potential for savings and efficiency; recurring items and monitoring correction of deficiencies; and implementation of recommendations. The audit work plan also includes the companies in which the Company has significant holdings in Israel. The audit work plan is submitted for analysis and approval by the Company's Audit Committee and Board of Directors. The Internal Auditor has discretion to recommend a variance from the work plan to management and the Audit Committee, where necessary. Audit reports were submitted to the Audit Committee and management. The Company's Board of Directors received an update regarding the audit reports. Meetings of the Audit Committee were held to discuss the audit reports on the following dates: May 22, 2022; August 22, 2022; November 21, 2022; and December 28, 2022. In October 2022, a provider of internal audit services was appointed in the CPV Group by means of outsourcing (EY Israel). The Internal Auditor monitors the existence and appropriateness of the activities of the provider of the internal audit services in the CPV Group, including: receipt of updates regarding the progress of the audit work and the main findings and nonconformances and receipt of the audit reports.

<u>Corporate Governance</u> (Cont.)

16. <u>The Internal Auditor</u> (Cont.)

The work plan (Cont.)	The audit plan and audit reports of the CPV Group are submitted to CPV's Board of Directors and to the Company's Audit Committee and are reported to the Company's Board of Directors. In in the estimation of the Board of Directors, the scope, nature and continuity of the activities of the Internal Auditor and her work plan are reasonable under the circumstances of the manner, and they are sufficient to achieve the Company's internal audit goals.
Performance of the audit and the professional standards	Based on information provided to the Company, performance of the internal audit is made in accordance with the generally accepted professional standards in and outside of Israel and in accordance with Section 4(B) of the Internal Audit Law. The Board of Directors relied on the confirmations of the Internal Auditor regarding her compliance with the requirements of the said generally accepted professional standards. In addition, the audit reports are submitted in writing and are discussed at the meetings of the Audit Committee, where as part of the discussion the Internal Auditor reports with respect to the manner of her performance, the policies and procedures applied and the findings. The Board of Directors is satisfied that the Internal Auditor is in compliance with all the requirements provided in the said standards.
Access to information	The Internal Auditor has free access to information, as stated in Section 9 of the Internal Audit Law, including constant and direct access to the Company's information systems, including financial data.
Remuneration	The remuneration of the Internal Auditor in respect of services she provided in 2022 amounted to NIS 217 thousand (not including VAT), this being based on a work scope of 675 audit hours. The cost of the internal audit services in the CPV Group in 2022 amounted to NIS 77 thousand, this being based on a work scope of 165 audit hours. In the opinion of the Board of Directors, the remuneration of the Internal Auditor is reasonable and does not impact or adversely affect use of her professional judgment in performance of the audit. The remuneration of the Internal Auditor is a function of the total number of work hours as provided in the annual work plan that is approved by the Company's Audit Committee and Board of Directors.

17. Contributions Policy

The Company has a policy for making contributions that places emphasis on activities in the periphery and non-profit organizations that operate in the field of education. As part of the Company's policy for charitable contributions, in the period of the report, the following contributions were paid:

Recipient of the Contribution	Amount of the Contribution (NIS thousands)	Relationship to the Recipient of the Contribution
"Password for Every Student" Society	1,000	Password for Every Student" receives contributions from parties related indirectly to the Company's controlling shareholder (including from the Israel Corporation Group). The Company's CEO is a representative of the project's Steering Committee without compensation.
"Rahashay Lev" Society	145	For the sake of good order, it is noted that Ms. Michal Marom Brickman, an external director of the Company, serves as a director and a member of the Investments Committee of the Management Committee of the Tel-Aviv Medical Center in the name of Sorosky (without pay). It is further noted that, as the Company was informed, commencing from November 2022, the daughter of Mr. Yosef Tena, an external director of the Company, is employed by the Tel-Aviv Medical Center in the name of Sorosky.
"Nirim" Society	150	–
"Technoda Hadera Givat Olga" Society	300	–
"Running to Give" Society	50	For the sake of good order, it is noted that a relative of the Company's CEO serves as CEO of the Society without compensation.
Total	**1,645**	

18. Details regarding the Auditing Certified Public Accountants (CPAs)

18.1 The Company's auditing CPAs are KPMG ("the Auditor").

18.2 The fee is determined in negotiations between the Company's management and the Auditor, based on the scope of the work, nature of the work, past experience and market conditions. The fee is in respect of an audit and review of three quarterly reviewed reports and one audited annual report. In addition, the fee includes tax services in connection with preparation of the Company's annual tax report.

18.3 Set forth below is the Auditor's fee (in NIS millions):

For the Year Ended December 31			
2022		2021	
Audit services*	Other services**	Audit services*	Other services**
9.4	1	7.5	1

* Audit services including services related to the audit and tax services related to the audit.
** Other services include mainly tax consulting services.

Yair Caspi
Chairman of the Board of Directors

Giora Almogy
CEO

Date: March 16, 2023

Exhibit 99.2

OPC Energy Ltd.

Consolidated Financial Statements
As at December 31, 2022

Consolidated Financial Statements as at December 31, 2022

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Somekh Chaikin
Millennium Tower KPMG
17 Ha'arba'a St., P.O.B. 609
Tel Aviv 6100601
+972-3-684-8000

Independent Auditors' Report to the Shareholders of
OPC Energy Ltd.

We have audited the accompanying consolidated statements of financial position of OPC Energy Ltd. (hereinafter - the "Company") as of December 31, 2022 and 2021, and the related consolidated statements of income, comprehensive income or loss, changes in equity and cash flows for each of the three years in the period ended December 31, 2022. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit according to generally accepted accounting principles in Israel, including standards set out in the Independent Auditors' Regulations (Modus Operandi of Certified Public Accountant), 1973. Such standards require us to plan and conduct the audit in order to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and information in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management of the Company, as well as evaluating the accuracy of the overall financial statements presented. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the above consolidated financial statements present fairly, in all material aspects, the financial position of the Company and its consolidated companies as of December 31, 2022 and 2021 and their results of operations, changes in equity and cash flows for each of the three years in the period ended on December 31, 2022, in accordance with International Financial Reporting Standards (IFRS) and with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

Key audit matters

The key audit matters listed below are those matters that were communicated or should have been communicated to the Company's Board of Directors, and which in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters include, among other things, any matter that: (1) Relates, or may relate to material items or disclosures on the financial statements; and (2) our judgment in connection therewith was particularly challenging, subjective or complex. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. Communicating these matters, as set forth below, does not alter our opinion on the consolidated financial statements as a whole, and we do not use their communication to provide a separate opinion on these matters, nor on the items or disclosures to which they relate.

Annual impairment testing of goodwill allocated to the US renewable energies segment

Why was this matter deemed as a key audit matter

The Company and its subsidiaries assess the recoverable amount of each cash-generating unit comprising goodwill on a fixed date once a year, or more often if there are indications of impairment to the value of these cash-generating units. In order to test such assets for impairment, the Group checks whether the carrying amount of the cash-generating unit exceeds its recoverable amount, in accordance with the provisions of IAS 36 regarding impairment.

As stated in Note 12B to the aforesaid financial statements, the Company has goodwill whose balance in the statement of financial position as of December 31, 2022 is NIS 370 million; the goodwill has arisen on the acquisition date of CPV Group, and it is allocated to the US renewable energies segment (hereinafter - the “Segment”).

As stated in Section 3F1 to the aforesaid financial statements, subsequent to initial recognition goodwill is measured at cost. Company’s management assessed - through an independent external appraiser - the recoverable amount of the Segment as of December 31, 2022. Company’s management reached the conclusion that it is not required to recognize impairment in the 2022 financial statements.

We identified the impairment testing of the goodwill allocated to the Segment as a key audit matter. The key considerations for this decision are:

- The estimate of the recoverable amount is based on subjective assumptions of the Company’s management, including the projected cash flow and discount rate.

- The audit procedures we implemented in connection with the assessment of the appraisal of the Segment’s recoverable amount involved subjective judgment of the audit team, and the use of experts on behalf of the audit team, who had knowledge and experience in connection with appraisals.

How the key matter was addressed in the audit

Set forth below are the key audit procedures implemented by the audit team in connection with the key matter:

- We obtained an understanding of the process of goodwill impairment testing, and reviewed the process used by management to estimate the Segment’s recoverable amounts.

- We sought the assistance of experts possessing the required knowledge and experience in fair value valuations in order to assess the valuation method, and the reasonableness of the weighted average cost of capital.

- We received the appraisal of the expert on behalf of the Company, and assessed the reasonableness of the significant assumptions used by the expert in developing the projected cash flows, by, among other things, comparing them to historical results and updated market data.

- We tested the completeness of the data included in the valuation model and their adequacy.

- We conducted a sensitivity analysis to the results of the model in connection with the key assumptions, such as energy prices and weighted average cost of capital.

We also have audited - in accordance with the standards of the Public Company Accounting Oversight Board (United States), regarding the audit of internal control over financial reporting - the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report, dated March 16, 2023 included an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

Somekh Chaikin
Certified Public Accountants

March 16, 2023

KPMG Somekh Chaikin, a partnership registered in Israel and a member firm of global KPMG, which is comprised of independent firms affiliated with KPMG International Limited, a privately held limited liability British company

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Report of the Independent Auditors to the Shareholders of OPC Energy Ltd.
regarding the audit of internal control components over financial reporting

We have audited internal control components over financial reporting of OPC Energy Ltd. and its subsidiaries (hereinafter together - the "Company”) as of December 31, 2022. Based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's Board of Directors and management are responsible for maintaining effective internal control over financial reporting and for their assessment of the effectiveness of the internal control components over financial reporting attached to the periodic report as of the above date. Our responsibility is to express an opinion on the Company’s internal control components over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, ??? based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with generally accepted auditing standards in Israel, the consolidated statements of financial position of the Company and its subsidiaries as of December 31, 2022 and 2021, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2022, and our report, dated March 16, 2023 expressed an unqualified opinion on those consolidated financial statements.

Somekh Chaikin
Certified Public Accountants

Tel Aviv, Israel

March 16, 2023

Consolidated Statements of Financial Position as of December 31

	Note	2022 NIS million	2021 NIS million
Current assets			
Cash and cash equivalents	5A	**849**	731
Short term deposits	5B	**125**	-
Short-term restricted deposits and cash	6	**36**	1
Trade receivables and accrued income	7	**260**	194
Other receivables and debit balances	8	**190**	90
Inventories		**7**	5
Short-term derivative financial instruments	23	**10**	2
Total current assets		**1,477**	1,023
Non-current assets			
Long-term restricted deposits and cash	6	**53**	93
Prepaid expenses and other long-term receivables	9	**179**	178
Investments in associates	26	**2,296**	1,696
Deferred tax assets	19	**22**	59
Long-term derivative financial instruments	23	**57**	36
Property, plant & equipment	10	**4,324**	3,594
Right-of-use assets	11	**347**	302
Intangible assets	12	**777**	698
Total non-current assets		**8,055**	6,656
Total assets		**9,532**	7,679

Consolidated Statements of Financial Position as of December 31

	Note	2022 NIS million	2021 NIS million
Current liabilities			
Current maturities of long-term loans from banks and financial institutions	16	**92**	68
Current maturities of loans from non-controlling interests	25D	**13**	29
Current maturities of debentures	17	**33**	22
Trade payables	13	**335**	468
Payables and credit balances	14	**110**	87
Short-term derivative financial instruments	23	**3**	27
Current maturities of lease liabilities	11	**61**	59
Current tax liabilities		**2**	-
Total current liabilities		**649**	760
Non-current liabilities			
Long-term loans from banks and financial institutions	16	**1,724**	1,451
Long-term loans from non-controlling interests	25D	**424**	404
Debentures	17	**1,807**	1,789
Long-term lease liabilities	11	**69**	44
Other long-term liabilities	15	**146**	91
Deferred tax liabilities	19	**347**	299
Total non-current liabilities		**4,517**	4,078
Total liabilities		**5,166**	4,838
Equity	20		
Share capital		**2**	2
Share premium		**3,209**	2,392
Capital reserves		**327**	68
Outstanding loss		**(31)**	(198)
Total equity attributable to the Company's shareholders		**3,507**	2,264
Non-controlling interests		**859**	577
Total equity		**4,366**	2,841
Total liabilities and equity		**9,532**	7,679

Yair Caspi	Giora Almogy	Ana Berenshtein Shvartsman
Chairman of the Board of Directors	Chief Executive Officer	Chief Financial Officer

Date of approval of the financial statements: March 16, 2023.

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

Consolidated statement of income for the year ended December 31

	Note	2022 NIS million	2021 NIS million	2020 NIS million
Revenues from sales and provision of and services	21A	**1,927**	1,575	1,362
Cost of sales and services (excluding depreciation and amortization)	21B	**1,404**	1,086	1,010
Depreciation and amortization		**191**	171	114
Gross profit		**332**	318	238
General and administrative expenses	21C	**239**	177	50
Share in the profits (losses) of associates	26	**286**	(35)	-
Transaction expenses in respect of acquisition of the CPV Group		**-**	2	42
Business development expenses	21D	**50**	27	9
Other income, net		**-**	-	1
Operating profit		**329**	77	138
Finance expenses	21E	**167**	194	132
Finance income	21E	**120**	9	1
Loss from disposal of financial liabilities, net	21E	**-**	272	41
Finance expenses, net		**47**	457	172
Profit (loss) before income taxes		**282**	(380)	(34)
Taxes on income (tax benefit)	19	**65**	(77)	12
Profit (loss) for the year		**217**	(303)	(46)
Attributable to:				
The Company's shareholders		**167**	(219)	(61)
Non-controlling interests		**50**	(84)	15
Profit (loss) for the year		**217**	(303)	(46)
Earnings (loss) per share attributed to the Company's owners	22			
Basic earnings (loss) per share (in NIS)		**0.79**	(1.15)	(0.40)
Diluted earnings (loss) per share (in NIS)		**0.78**	(1.15)	(0.40)

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

Consolidated statement of comprehensive income or loss for the year ended December 31

	2022	2021	2020
	NIS million	NIS million	NIS million
Profit (loss) for the year	**217**	(303)	(46)
Components of other comprehensive income (loss) that, subsequent to initial recognition in comprehensive income, were or will be transferred to profit and loss			
Effective portion of the change in the fair value of cash flow hedges	**50**	28	(156)
Net change in fair value of derivative financial instruments used to hedge cash flows recognized in the cost of the hedged item.	**(4)**	120	10
Net change in fair value of derivative financial instruments used to hedge cash flows transferred to profit and loss	**(14)**	(7)	22
Group's share in other comprehensive income of associates, net of tax	**64**	40	-
Foreign currency translation differences in respect of foreign operations	**267**	(40)	-
Tax on other comprehensive income (loss) items	**(9)**	(1)	5
Other comprehensive income (loss) for the year, net of tax	**354**	140	(119)
Total comprehensive income (loss) for the year	**571**	(163)	(165)
Attributable to:			
The Company's shareholders	**412**	(82)	(180)
Non-controlling interests	**159**	(81)	15
Total comprehensive income (loss) for the year	**571**	(163)	(165)

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

Consolidated Statements of Changes in Equity

	Attributable to the Company's shareholders										
	Share capital	Share premium	Capital reserve from transactions with non-controlling interests and merger	Hedge fund	Foreign operations translation reserve	Capital reserve from transactions with share-holders	Capital reserve for share-based payment	Outstanding loss	Total	Non-contro-lling interests	Total equity
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
For the year ended December 31, 2022											
Balance as at January 1, 2022	**2**	**2,392**	**(25)**	**32**	**(27)**	**78**	**10**	**(198)**	**2,264**	**577**	**2,841**
Issuance of shares (less issuance expenses)	*-	815	-	-	-	-	-	-	815	-	815
Investments by holders of non-controlling interests in equity of subsidiary	-	-	-	-	-	-	-	-	-	123	123
Share-based payment	-	-	-	-	-	-	16	-	16	-	16
Exercised options and RSUs	*-	2	-	-	-	-	(2)	-	-	-	-
Other comprehensive income for the year	-	-	-	59	186	-	-	-	245	109	354
Profit for the year	-	-	-	-	-	-	-	167	167	50	217
Balance as at December 31, 2022	**2**	**3,209**	**(25)**	**91**	**159**	**78**	**24**	**(31)**	**3,507**	**859**	**4,366**

* Amount is less than NIS 1 million.

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

Consolidated Statements of Changes in Equity

	Attributable to the Company's shareholders										
	Share capital	Share premium	Capital reserve from transactions with non-controlling interests and merger	Hedge fund	Foreign operations translation reserve	Capital reserve from transactions with share-holders	Capital reserve for share-based payment	Retained earnings (loss)	Total	Non-cont-rolling interests	Total equity
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
For the year ended December 31, 2021											
Balance as at January 1, 2021	2	1,714	(25)	(132)	-	78	5	21	1,663	41	1,704
Issuance of shares (less issuance expenses)	*-	674	-	-	-	-	-	-	674	-	674
Investments by holders of non-controlling interests in equity of subsidiary	-	-	-	-	-	-	-	-	-	629	629
Non-controlling interests in respect of business combinations	-	-	-	-	-	-	-	-	-	21	21
Share-based payment	-	-	-	-	-	-	9	-	9	-	9
Exercised options and RSUs	*-	4	-	-	-	-	(4)	-	-	-	-
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(33)	(33)
Other comprehensive income (loss) for the year	-	-	-	164	(27)	-	-	-	137	3	140
Loss for the year	-	-	-	-	-	-	-	*(219)	(219)	(84)	(303)
Balance as at December 31, 2021	2	2,392	(25)	32	(27)	78	10	(198)	2,264	577	2,841

* Amount is less than NIS 1 million.

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

Consolidated Statements of Changes in Equity

	Attributable to the Company's shareholders								Non-cont-rolling interests	Total equity
	Share capital	Share premium	Capital reserve from transactions with non-controlling interests and merger	Hedge fund	Capital reserve from tran-sactions with share-holders	Capital reserve for share-based payment	Retained earnings	Total		
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
For the year ended December 31, 2020										
Balance as at January 1, 2020	1	635	(4)	(13)	78	4	82	783	69	852
Issuance of shares (less issuance expenses)	1	1,077	-	-	-	-	-	1,078	-	1,078
Acquisition of non-controlling interests	-	-	(21)	-	-	-	-	(21)	-	(21)
Share-based payment	-	-	-	-	-	3	-	3	-	3
Exercised options and RSUs	*-	2	-	-	-	(2)	-	-	-	-
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	(43)	(43)
Other comprehensive loss for the year	-	-	-	(119)	-	-	-	(119)	-	(119)
Profit (loss) for the year	-	-	-	-	-	-	(61)	(61)	15	(46)
Balance as at December 31, 2020	2	1,714	(25)	(132)	78	5	21	1,663	41	1,704

* Amount is less than NIS 1 million.

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

Consolidated Statement of Cash Flows for the year ended December 31

	2022	2021	2020
	NIS million	NIS million	NIS million
Cash flows from operating activities			
Profit (loss) for the year	**217**	(303)	(46)
Adjustments:			
Depreciation, amortization, and diesel fuel consumption	**210**	185	133
Finance expenses, net	**47**	457	172
Taxes on income (tax benefit)	**65**	(77)	12
Share in losses (profits) of associates	**(286)**	35	-
Gain on sale of a subsidiary	-	-	(1)
Share-based compensation payments	**62**	58	3
	315	355	273
Changes in inventory, trade and other receivables	**(84)**	(2)	(47)
Changes in trade payables, other payables and long-term liabilities	**(19)**	1	131
	(103)	(1)	84
Dividends received from associates	-	32	-
Income tax paid	**(5)**	(1)	-
	(5)	31	-
Net cash from operating activities	**207**	385	357
Cash flows from investing activities			
Interest received	**8**	-	1
Short-term restricted deposits and cash, net	**(33)**	207	(89)
Withdrawal from (deposits into) short-term deposits	**(125)**	1,607	(1,607)
Provision of short-term collateral	**(79)**	(34)	-
Release of short-term collateral	**17**	-	-
Withdrawals from long-term restricted cash	**44**	172	134
Deposits to long-term restricted cash	**(2)**	(31)	(107)
Acquisition of subsidiaries, net of cash acquired	-	(2,152)	(47)
Acquisition of an associate and investment in associates	**(10)**	(28)	-
Long-term loans to an associate	-	(17)	-
Proceeds for repayment of partnership capital from associates	**15**	154	-
Proceeds of sale of a subsidiary net of cash sold	-	-	1
Long-term advance payments and prepaid expenses	**(38)**	(23)	(199)
Purchase of property, plant and equipment	**(869)**	(746)	(250)
Refunds for right-of-use assets and property, plant, and equipment	-	16	-
Purchase of intangible assets	**(35)**	(5)	(1)
Payment for derivative financial instruments	**(18)**	(21)	(19)
Proceeds for derivative financial instruments	**23**	3	5
Net cash used in investing activities	**(1,102)**	(898)	(2,178)

The accmpanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows for the year ended December 31

	2022	2021	2020
	NIS million	NIS million	NIS million
Cash flows for financing activities			
Proceeds of share issuance, less issuance expenses	**815**	674	1,078
Proceeds of debenture issuance, less issuance expenses	**-**	842	974
Receipt of long-term loans from banks and financial institutions	**291**	682	251
Receipt of long-term loans from non-controlling interests	**46**	421	-
Investments by holders of non-controlling interests in equity of subsidiary	**123**	629	-
Interest paid	**(86)**	(102)	(86)
Prepaid costs for loans taken	**(9)**	(16)	(30)
Dividend paid to non-controlling interests	**-**	(33)	(43)
Repayment of long-term loans from banks and others	**(74)**	(1,936)	(134)
Repayment of long-term loans from non-controlling interests	**(89)**	-	-
Repayment of debentures	**(20)**	(19)	(324)
Repayment of other long-term liabilities	**-**	(94)	-
Acquisition of non-controlling interests	**-**	-	(26)
Payment for derivative financial instruments	**(3)**	(58)	(21)
Proceeds for derivative financial instruments	**-**	13	-
Repayment of principal in respect of lease liabilities	**(8)**	(6)	(1)
Net cash provided by (used for) financing activities	**986**	997	1,638
Net increase (decrease) in cash and cash equivalents	**91**	484	(183)
Cash and cash equivalents balance at the beginning of the year	**731**	200	385
Effect of exchange rate fluctuations on cash and cash equivalent balances	**27**	47	(2)
Cash and cash equivalents balance at the end of the year	**849**	731	200

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

Consolidated Statement of Cash Flows for the year ended December 31

Appendix A - Changes Arising from Financing Activity

	Loans from banks and financial institutions	Loans from non-controlling interests	Debentures	Financial instruments designated for hedging
	NIS million			
Liability (asset) as of January 1, 2022	**1,520**	**434**	**1,824**	**(26)**
Changes arising from cash flows:				
Payment for derivative financial instruments	**-**	**-**	**-**	**(3)**
Receipt of loans	**291**	**46**	**-**	**-**
Repayment of debentures and loans	**(74)**	**(89)**	**(20)**	**-**
Interest paid	**(38)**	**(7)**	**(40)**	**-**
Prepaid costs for loans taken	**(9)**	**-**	**-**	**-**
Total changes arising from cash flows	**170**	**(50)**	**(60)**	**(3)**
Effect of changes in foreign currency exchange rates	**39**	**29**	**-**	**(2)**
Interest and CPI expenses	**92**	**24**	**90**	**-**
Changes in fair value, application of hedge accounting and other	**(4)**	**-**	**-**	**(26)**
Total changes arising from non-cash activity	**127**	**53**	**90**	**(28)**
Liability (asset) as at December 31, 2022	**1,817**	**437**	**1,854**	**(57)**

	Loans from banks and financial institutions	Loans from non-controlling interests	Debentures	Financial instruments designated for hedging
	NIS million			
Liability as at January 1, 2021	**1,979**	**1**	**980**	**35**
Changes arising from cash flows:				
Payment for derivative financial instruments	-	-	-	(45)
Issuance of debentures and receipt of loans	682	421	842	-
Repayment of debentures and loans	(1,936)	-	(19)	-
Interest paid	(81)	-	(20)	-
Prepaid costs for loans taken	(16)	-	-	-
Total changes arising from cash flows	**(1,351)**	**421**	**803**	**(45)**
Changes due to gain of control in subsidiaries	556	-	-	39
Effect of changes in foreign currency exchange rates	(19)	(5)	-	-
Interest and CPI expenses	125	14	41	-
Changes in fair value, application of hedge accounting and other	230	3	-	(55)
Total changes arising from non-cash activity	**892**	**12**	**41**	**(16)**
Liability (asset) as of December 31, 2021	**1,520**	**434**	**1,824**	**(26)**

NOTE 1 - GENERAL

The Reporting Entity

OPC Energy Ltd. (hereinafter – the "**Company**") was incorporated in Israel on February 2, 2010. The Company's registered address is 121 Menachem Begin Road., Tel Aviv, Israel. The controlling shareholder in the Company is Kenon Holdings Ltd. (hereinafter - the "**Parent Company**"), a company incorporated in Singapore, the shares of which are dual-listed on the New York Stock Exchange (NYSE) and the Tel Aviv Stock Exchange (hereinafter - the "**TASE**").

The Company is a publicly-traded company whose securities are traded on the TASE.

As of the date of the report, the Group is engaged in the generation and supply of electricity and energy through three operating segments (which constitute reportable segments in the financial statements):

1. Israel - As part of this area of activity, the Company is engaged in the generation and supply of electricity and energy, mainly to private customers and to the System Operator, and in the development, construction and operation of power plants and energy generation facilities powered using natural gas and renewable energy in Israel. Upon completion of the Veridis transaction in January 2023 for the investment in and restructuring of the Israel area of activity, as of the approval date of the report, the Company coordinates its activity in Israel through OPC Holdings Israel Ltd. (hereinafter - "OPC Israel"). The Company is also engaged in the field of electric vehicles charging and energy management in Israel through Gnrgy. For more information about the completion of the Veridis transaction, see Note 29A.

2. Renewable energies in the USA - in this area of activity, the Company is engaged - through CPV Group - in the initiation, development, construction and holding of renewable energy power plants (solar and wind) in the USA, and in the supply of electricity from renewable sources.

3. Energy transition in the USA - as part of this operating segment, the Company is engaged - through CPV Group - in the development, construction and holding of high-efficiency gas-fired power plants in the USA. which supply efficient and reliable electricity in the USA. The active power plants and the power plants under construction in this area of activity are held through associates (which are not included in the Company's financial statements).

In addition, the Company is engaged, through CPV Group, in a number of business activities in the USA, which - as of the report date - are not material to the Group's operating results (and do not constitute reportable segments in the financial statements):

1. Initiation and development of projects for generation of electricity and energy (high-efficiency gas-powered power plants) that integrate carbon capturing capabilities;

2. Providing assets and energy management services for power plants in the US that are partly owned by the Group and by third parties.

3. At the beginning of 2023, CPV Group launched its retail electricity sale activity to commercial customers, which is designed to complement CPV Group's electricity production activity.

For further information – see Note 27.

NOTE 1 - GENERAL (cont.)

Definitions

1. The Company - OPC Energy Ltd.

2. The Group - OPC Energy Ltd. and its investees.

3. Consolidated companies/subsidiaries - companies, including partnerships, whose financial statements are fully consolidated, whether directly or indirectly, in the Company's financial statements, specifically: (1) in Israel: OPC Israel, OPC Hadera Expansion Ltd. (hereinafter - the "Hadera 2"), AGS Rotem Ltd. (hereinafter - "Rotem 2"), Gnrgy Ltd. (hereinafter - "Gnrgy"), OPC Power Plants Ltd. (hereinafter - "OPC Power Plants"), OPC Rotem Ltd. (hereinafter - "Rotem"), OPC Hadera Ltd. (hereinafter - "Hadera"), Zomet Energy Ltd. (hereinafter - "Zomet"), OPC Sorek 2 Ltd. (hereinafter - "Sorek 2"). (2) In the USA, the Company holds - through OPC Power Ventures LP (hereinafter - "OPC Power") - the CPV Group, that wholly-owns, among other things, CPV Keenan II Renewable Energy Company, LLC (hereinafter - "Keenan"), CPV Maple Hill Solar, LLP (hereinafter - "Maple Hill") and CPV Stagecoach Solar, LLC (hereinafter - "Stagecoach").

4. Investee companies - consolidated companies and companies, including a partnership or joint venture, the Company's investment in which is included, directly or indirectly, in the financial statements based on the equity method, specifically: CPV Fairview, LLC (hereinafter - "Fairview"), CPV Maryland, LLC (hereinafter - "Maryland"), CPV Shore Holdings, LLC (hereinafter - "Shore"), CPV Towantic, LLC (hereinafter - "Towantic"), CPV Valley Holdings, LLC (hereinafter - "Valley") and CPV Three Rivers, LLC (hereinafter - "Three Rivers").

5. Related parties - as defined in IAS 24 (2009), Related Party Disclosures.

6. Interested parties - as defined in Paragraph (1) of the definition of an "interested party" in a company in Section 1 of the Israel Securities Law, 1968.

NOTE 2 – BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

A. Statement of compliance with International Financial Reporting Standards (IFRS)

The consolidated financial statements were prepared by the Group in accordance with Financial Reporting Standards (hereinafter - IFRS). Such financial statements were also prepared in accordance with the Israeli Securities Regulations (Annual Financial Statements), 2010.

The Company's consolidated financial statements were approved for publication by its Board of Directors on March 16, 2023.

B. Functional and presentation currency

The New Israeli Shekel is the currency that represents the primary economic environment in which the Company operates (hereinafter - "**NIS**"). Accordingly, the NIS is the Company's functional currency. The NIS also serves as the presentation currency in these financial statements. Currencies other than the NIS constitute foreign currency.

C. Basis of measurement

The financial statements were prepared according to the historical cost basis, other than: derivative financial instruments at fair value through profit and loss, derivatives measured at fair value through other comprehensive income, liability in respect of profit-sharing to CPV Group employees, treated as a cash-settled share-based payment transaction, deferred tax assets and liabilities and provisions. For further details, see Note 3.

NOTE 2 – BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (cont.)

D. The operating cycle periods

The Group's normal operating cycle period is one year. Therefore, current assets and current liabilities include items whose disposal is planned and expected during the Group's normal operating cycle.

E. Use of estimates and judgments

In preparation of the financial statements in accordance with the IFRS, the Company's management is required to use judgment when making estimates, assessments and assumptions that affect implementation of the policies and the amounts of assets, liabilities, income and expenses. It is clarified that the actual results may differ from these estimates.

When formulating accounting estimates used in preparing the Group's financial statements, the Group's management was required to use assumptions concerning circumstances and events that involve significant uncertainty. In determining the estimates, the Group management's discretion is based on past experience, various facts, external factors and reasonable assumption under the appropriate circumstances for each estimate.

These estimates and underlying assumptions are reviewed regularly. Changes in accounting estimates are recognized in the period in which the estimates were revised and in any future affected period.

Information regarding the assumptions made by the Group in respect of the future and other major factors for uncertainty regarding the estimates that have a significant risk of resulting in a material adjustment in the carrying amount of assets and liabilities in the next financial year, is included in the following items:

1. Expected useful life of property, plant and equipment

Property, plant and equipment is depreciated using the straight line method over the expected useful life, considering the residual value of the assets. The Group routinely re-examines the expected useful life of property, plant and equipment in order to determine the depreciation expenses to be recognized for the period. The useful life is based on the Group's past experience in respect of similar assets and takes into account expected technological changes. Depreciation expenses in respect of future periods are adjusted to reflect significant changes compared to previous estimates, if any. For further information, see Note 3E.

2. Assessment of the prospects of contingent liabilities

A derivative claim was filed against the Company, which deals with transactions for the purchase of natural gas as stated in Note 28A, whose outcome may have a material impact on the Group's results. Cancellation or creation of a provision in respect of the said contingent liability is based on the assumption of whether the outflow of economic resources will more likely than not be required in respect of such contingent liabilities.

3. Allocation of acquisition costs

The Group uses estimates to allocate the acquisition costs, specifically in business combination transactions, to tangible and intangible assets and to the acquired liabilities. In addition, when determining the depreciation rates of the tangible and intangible assets and liabilities, the Group estimates the expected life of the asset or liability. In its calculation of those estimates, the Group uses, among other things, external and independent appraisers. In the reporting period, the Group did not conduct transactions in respect of which it was required to allocate excess cost.

NOTE 2 – BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (cont.)

4. Recoverable number of cash-generating units that include goodwill and testing for indications of impairment of non-financial assets, including investments in equity-accounted associates.

   Every year the Group calculates the recoverable amount of cash-generating units to which goodwill balances are allocated, based, among other things, on the discounted expected cash flows. In its calculation of the recoverable amount, the Group uses, among other things, external and independent appraisers. For further information, see Note 12B.

   Furthermore, on each reporting date, the Group assesses whether there are indications of impairment of non-financial assets and/or cash-generating units, specifically property, plant & equipment, and investments in associates, and where necessary calculates the recoverable amount of those assets/investments.

5. Ability to recover development and construction costs of projects.

   In order to capitalize projects' development and construction costs, the Group uses estimates for receipt of regulatory approvals, the existence of a link to the land, the ability to connect to electricity, signing PPAs with customers, etc. and the expectation of generating future economic benefits from the projects. If in subsequent periods there is a deterioration in the Group's estimates regarding a project, specifically a failure to obtain the required regulatory approvals, capitalized costs are expensed in profit and loss.

F. Reclassification and restatement

The Group carried out immaterial classifications in its comparison figures so that their classification will match their classification in the current financial statements. The said classifications do not have a material effect on the statement of income.

G. Changes in accounting policies

First-time application of new standards, amendments to standards and interpretations

First-time application of Amendment to IAS 16 - Property, Plant, and Equipment: Costs Directly Attributable to Property, Plant, and Equipment

The amendment, which came into effect on January 1, 2022, revoked the requirement whereby in calculating costs that are directly attributable to property, plant and equipment, the net proceeds from the sale of any items produced in the process (such as samples produced at the time of testing the equipment) should be deducted from the costs of testing the proper functioning of the asset. Instead, such proceeds will be recognized in profit and loss according to the relevant standards, and the cost of items sold shall be measured in accordance with the measurement requirements of IAS 2, Inventories.

The Company applied the amendment retrospectively, including revision of the comparative amounts, but only for items of property, plant and equipment that were brought to the location and status required for them to be able to function in the manner contemplated by management after the earliest reporting period presented on first-time application of the amendment, i.e., as from January 1, 2020. The first-time application did not have a material effect on the Group's financial position and/or operating results.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

The accounting policy principles below will be applied consistently to all periods presented in these consolidated financial statements by entities of the Group, except as described in Note 2G - First-time application of new standards, amendments to standards and interpretations.

A. Basis of consolidation

1. Business combinations

The Group applies the acquisition method to all business combinations. The acquisition date is the date on which the acquirer obtains control over the acquiree. Control exists when the Group is exposed, or has rights to variable returns from its involvement with the acquiree and has the ability to affect those returns through its power over the acquiree. When testing for control, substantive rights held by the Group and others are taken into account. On acquisition date, the acquirer recognizes a contingent liability assumed in a business combination if there is a present obligation resulting from past events and its fair value can be reliably measured. The consideration transferred includes the fair value of the assets transferred to the previous owners of the acquiree, the liabilities incurred by the acquirer to the previous owners of the acquiree as well as equity interests issued by the Group. In addition, goodwill is not updated in respect of utilization of tax loss carryforwards that existed on the business combination date.

Costs associated with the acquisition incurred by the acquirer in respect of a business combination, such as: brokers' commissions, consultants' fees, legal fees, valuations and other fees and commissions relating to professional services or consulting services, except for those relating to issuance of debt or equity instruments in connection with the business combination, are recognized as expenses in the period in which the services were received.

2. Goodwill

The Group recognizes goodwill on acquisition date according to the fair value of the consideration transferred less the net amount of the identifiable assets acquired and the liabilities assumed. Goodwill is initially recognized as an asset based on its cost, and in subsequent periods, is measured at cost less accumulated impairment losses.

Cash-generating units to which goodwill has been allocated are aggregated such that the level at which impairment is tested reflects the lowest level at which goodwill is subject to monitoring for internal reporting purposes, but in no case is it higher than an operating segment. In cases where goodwill is not monitored for internal management purposes, goodwill is allocated to operating segments rather than to a cash-generating unit or a group of cash-generating units that is smaller than an operating segment.

Goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergy of the business combination. Cash-generating units to which goodwill was allocated are tested for impairment each year, or more frequently if there are indications of a possible impairment of the unit, as stated.

When executing a restructuring that changes the composition of cash-generating units to which goodwill was allocated, the Company reallocates the goodwill to the cash-generating units that were impacted. The reallocation of the goodwill is executed using the relative value approach, unless the Company knows to directly allocate the economic value of the goodwill recognized on the original business combination date to the different cash-generating units.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

3. Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date of loss of control.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

4. Non-controlling interests.

Non-controlling interests are the equity of a subsidiary that cannot be attributed, directly or indirectly, to the parent company, and they include additional components.

Measurement of non-controlling interests on the date of the business combination

Non-controlling interests, which are instruments that grant present ownership rights and grant the holder a share of the net assets in the event of liquidation, are measured on the date of the business combination at fair value or based on their proportionate share of the identified assets and liabilities of the acquiree, based on each transaction separately.

Allocation of profit or loss and other comprehensive income among shareholders

Profit or loss and any component of other comprehensive income are attributed to the owners of the Company and the non-controlling interests. The total profit or loss and other comprehensive income are attributed to the owners of the Company and the non-controlling interests even if the resulting balance of non-controlling interests is negative.

4. Non-controlling interests (cont.)

Transactions with non-controlling interests, while maintaining control

Transactions with non-controlling interests while maintaining control are treated as equity transactions. Any difference between the consideration paid or received and the change in non-controlling interests is attributed to the share of the owners of the Company in a capital reserve from transactions with non-controlling interests and mergers.

The amount at which non-controlling interests are adjusted at an increase in the holding rate, according to the proportionate share acquired of the balance of the non-controlling interests in the consolidated financial statements prior to the transaction.

Issuance of a put option to non-controlling interests.

A put option which was issued by the Group to non-controlling interests is settled, at the Group’s discretion, in cash or a variable number of Group companies shares; the option is accounted for separately from the shares held by the non-controlling interests.

In such a case, the Group recognizes non-controlling interests within equity, and the put option is accounted for as a financial derivative under financial liabilities, measured at fair value through profit and loss. Changes in fair value of the derivative are recognized in profit and loss as finance income (expenses).

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

5. Loss of control

Upon loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and other equity components attributable to the subsidiary. The difference between the consideration and the derecognized balances is recognized in profit and loss in the other income line item.

6. Investment in associates and joint ventures

Associates are entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies but not control or joint control. Significant influence is the power to participate in making decisions relating to the financial and operational policies of the investee company. In testing for significant influence, potential voting rights that are currently exercisable or convertible into shares of the investee are taken into account.

Investments in associates and joint ventures are accounted for using the equity method and are initially recognized at cost. The investment cost includes transaction costs. Transaction costs that are directly attributable to an expected acquisition of an associate are recognized as an asset under the deferred expenses line item in the statement of financial position. These costs are added to the investment cost on the acquisition date. The consolidated financial statements include the Group’s share of the income and expenses in profit or loss and of other comprehensive income of associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. Where the Group disposes of part of an investment that is an associate that includes foreign operations while maintaining significant influence, the proportionate part of the cumulative amount of the exchange rate differences is reclassified to profit and loss. The Company's share in profit or loss from associates will be recorded under operating profit or loss.

7. Loss of significant influence

The Group ceases to apply the equity method from the date on which it lost significant influence over the associate and treats the remaining investment as a financial asset or subsidiary, as applicable.

On the date of loss of significant influence or joint control, the Group measures at fair value, any remaining investment in the associate.

The Group recognizes in profit and loss under the other income or expenses item, any difference between the fair value of any investment remaining plus any consideration from disposal of part of the investment in the associate and the carrying amount of the investment on that date.

The amounts recognized in equity through other comprehensive income in respect of that associate are reclassified to profit, loss or retained earnings, in the same way as would have been required had the associate independently disposed of the assets or liabilities.

8. Transactions eliminated on consolidation

Intra-group balances, any unrealized income and expenses, and profits arising from intra-group transactions, were eliminated in the preparation of the consolidated financial statements. Unrealized losses were eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

NOTE 3 — SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. Business combinations under common control

Acquisition of interests in businesses controlled by the controlling shareholder of the Group were accounted for using the book value approach, as if the acquisition were made on the day control was first gained by the controlling shareholder of the Group. For this purpose, the comparative data were restated. The acquired assets and liabilities are presented at the values previously presented in the consolidated financial statements of the controlling shareholder of the Group. The Group's equity components were restated from the date control was first gained by the controlling shareholder of the Group, so that the equity components of the acquired entity were added to the Group's existing equity components.

Any difference between the issuance proceeds for the acquisition and the values of the acquired assets and liabilities on the date control was achieved, and the investment of the controlling shareholder of the acquired company in the period subsequent to achievement of control is recognized directly in equity as a capital reserve from transactions with non-controlling interests and mergers.

C. Foreign currency

1. Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the Group companies at the exchange rate effective on the transaction dates. Monetary assets and liabilities denominated in Foreign Currencies on the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate as at the date on which the fair value was determined. The exchange rate differences due to translation of the functional currency are usually recognized in profit and loss (except for differences from cash flow hedges, which are recognized in other comprehensive income, in respect of the effective part of the hedge). Non-monetary items denominated in Foreign Currencies that are measured at historical cost are translated using the exchange rate at the transaction date.

2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to NIS at exchange rates in effect at the reporting date. The income and expenses of foreign operations are translated to NIS at exchange rates in effect at the transaction dates. Foreign exchange differences are recognized in other comprehensive income and are presented in equity in the foreign operations translation reserve (hereinafter – "**translation reserve**"). Exchange rate differentials in respect of loans provided to foreign operations are recognized in other comprehensive income and presented in equity in the foreign operations translation reserve. When the foreign operation is not a wholly-owned subsidiary of the Company, the pro rata share of the foreign operation translation difference is allocated to the non-controlling interests.

Generally, foreign exchange rate differentials from loans received from or provided to a foreign operation, including foreign operations that are subsidiaries, are recognized in profit or loss in the consolidated financial statements.

When the settlement of loans received from or provided to a foreign operation is neither planned nor likely in the foreseeable future, gains and losses from foreign exchange rate differentials arising from these monetary items are included in the investment in the foreign operation, net, and are recognized in other comprehensive income and stated in equity under the translation reserve.

NOTE 3 — SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. Financial instruments

1. **Non-derivative financial assets**

Initial recognition and measurement of financial assets

The Group initially recognizes trade receivables and issued debt instruments as they are incurred. All other financial assets are initially recognized on the date when the Group becomes party to the contractual terms of the instrument.

A financial asset is initially measured at fair value plus the transaction costs attributable directly to the acquisition or issuance of the financial asset. A trade receivable without a significant financing component is initially measured at the transaction price. Receivables from contractual assets are initially measured at the carrying amount of the contractual assets on the date of reclassification from a contractual asset to receivables.

Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the Group to the cash flows from the asset expire, or the Group transfers the rights to receive the contractual cash flows arising from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are substantively transferred.

If the Group is essentially left with the risks and rewards of ownership of the financial asset, the Group continues to recognize the financial asset.

Classification of financial assets into groups and the accounting treatment of each group

On the date of initial recognition, financial assets are classified to one of the following measurement categories: amortized cost; or fair value through profit and loss.

Financial assets are not reclassified in subsequent periods unless, and only if, the Group changes its business model for management of financial debt assets, in which case the affected financial debt assets are reclassified at the beginning of the reporting period subsequent to the business model change.

A financial asset is measured at amortized cost if it meets both of the following two conditions cumulatively and is not designated for measurement at fair value through profit and loss:

- It is held within a business model whose objective is to hold assets in order to collect the contractual cash flows; and
- The contractual terms and conditions of the financial asset provide entitlement, at specified dates, to cash flows that are only principal and interest payments in respect of the outstanding principal amount.

All financial assets not classified as measured at amortized cost are measured at fair value through profit and loss.

The Group has balances of trade and other receivables and deposits held under a business model whose objective is collection of contractual cash flows. The contractual cash flows in respect of such financial assets include only principal and interest payments that reflect consideration for the time value of the money and the credit risk. Accordingly, such financial assets are measured at amortized cost.

NOTE 3 — SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. Financial instruments

1. **Non-derivative financial assets**

Assessment of whether cash flows include principal and interest only.

For the purpose of assessing whether the cash flows include principal and interest only, 'principal' is the fair value of the financial asset on the date of initial recognition. 'Interest' consists of consideration for the time value of the money, for the credit risk attributed to the outstanding principal during a certain time period and for other basic risks and costs of the loan, as well as a profit margin.

When assessing whether contractual cash flows are payments of principal and interest only, the Group examines the contractual terms of the instrument, and in this context, it estimates whether the financial asset includes a contractual condition that may change the timing or amount of the contractual cash flows so that it fails to meet the said condition. In making this assessment, the Group takes into account the following considerations:

- Any contingent events that will change the timing or amount of the cash flows;
- Terms that may change the nominal interest rate, including variable interest;
- Extension or early repayment characteristics; and
- Terms that limit the Group's right to cash flows from defined assets (for example, a non-recourse financial asset).

An early repayment characteristic is consistent with the principal and interest only criterion if the early repayment amount essentially represents the unpaid principal and interest amounts in respect of the outstanding principal amount, which may include reasonable compensation, received or paid, in respect of early termination of the contract.

Subsequent measurement and profits and losses

Financial assets at fair value through profit and loss

In subsequent periods, such assets are measured at fair value. Net profits and losses, including interest income or dividends, are recognized in profit and loss (except certain derivative instruments designated as hedging instruments).

Financial assets at amortized cost

These assets are measured in subsequent periods at amortized cost using the effective interest method net of impairment losses. Interest income, exchange rate profits or losses and impairment are recognized in profit and loss. Any profit or loss from derecognition is also recognized in profit and loss.

2. Non-derivative financial liabilities

Non-derivative financial liabilities include: loans and credit from banks and other lenders, marketable debt instruments, capital notes from shareholders, finance lease liabilities, and trade and other payables.

NOTE 3 — SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. Financial instruments (cont.)

2. Non-derivative financial liabilities (cont.)

Initial recognition of financial liabilities

The Group initially recognizes debt instruments as they are incurred. Other financial liabilities are initially recognized at the transaction date when the Group becomes party to the contractual provisions of the instrument.

Subsequent measurement of financial liabilities

Financial liabilities are initially recognized at fair value net of any attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Transaction costs that are directly attributable to an expected issuance of an instrument that will be classified as a financial liability are recognized as an asset under the deferred expenses line item in the statement of financial position. These transaction costs are deducted from the financial liability upon initial recognition.

Derecognition of financial liabilities

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

Changes in material terms of a debt instrument

Replacement of debt instruments with materially different terms is treated as elimination of the original financial liability and recognition of a new financial liability. In such case, the entire difference between the amortized cost of the original financial liability and the fair value of the new financial liability is reclassified in profit and loss in the loss from repayment of financial liabilities, net.

The terms and conditions are substantively different if the discounted present value of the cash flows according to the new terms and conditions, including any fees and commissions paid, less any fees and commissions received and discounted using the original effective interest rate, is different by at least ten percent from the discounted present value of the remaining cash flows of the original financial liability.

Netting of financial instruments

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

3. Derivative financial instruments, including hedge accounting

Hedge accounting

On initial designation of the accounting hedge, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship.

The Group estimates, upon creation of the hedge and in the subsequent periods, whether the hedge is expected to be highly effective in offsetting changes in fair value or in the cash flows attributable to the hedged risk during the period for which the hedge is designated, and whether the actual results of the hedge are within a range of 80% to 125%.

NOTE 3 — SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. Financial instruments (cont.)

In respect of cash flow hedging, a forecast transaction that is a hedged item must be at a highly probable level and cause exposure to cash flow changes that may ultimately affect profit and loss.

Changes in fair value of derivatives used to hedge cash flows in respect of the effective part of the hedge are recognized through other comprehensive income directly in a capital reserve for hedges. For the non-effective part, the changes in fair value are recognized in profit and loss. The amount accumulated in a capital reserve for hedges is reclassified to the hedged assets in the statement of financial position or statement of income in the period in which the cash flows affect such assets or the statement of income, respectively, and is presented in the same category in the financial statements as the hedged item.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued. The cumulative profit and loss previously recognized through other comprehensive income and presented in the hedging capital reserve remains in equity until the projected transaction occurs or is no longer expected to occur. If the forecast transaction is no longer expected to occur, then the cumulative profit and loss previously recognized in the hedging capital reserve is recognized immediately in profit and loss.

When the hedged item is a non-financial asset, the amount recognized in the capital reserve for hedges is added to the carrying amount of the asset when it is recognized.

3. Derivative financial instruments, including hedge accounting (cont.)

Non-hedge derivatives

Derivatives are initially recognized at fair value. Subsequent to initial recognition, changes in fair value of non-hedge derivatives are recognized in profit and loss as finance income (expenses).

4. Liabilities linked to the Consumer Price Index (hereinafter - “**CPI**”) not measured at fair value

The value of CPI-linked financial liabilities that are not measured at fair value, is revalued every period according to the actual increase/decrease in the CPI.

5. Amendments to IFRS 9, Financial Instruments; IAS 39 Financial Instruments: Recognition and Measurement; and IFRS 7 Financial Instruments: Disclosures: Reform of Benchmark Interest Rates Phase 1 (hereinafter in this section - the “Amendments”)

The Amendments include several relevant mandatory expedients to assess hedge accounting affected by uncertainty arising from the IBOR interest rate reform (a reform that will lead to the cancelation of interest rates such as LIBOR and EURIBOR).

- When determining the probability of the materialization of hedged cash flows, the existing contractual cash flows should be used as a basis and future changes resulting from the interest rate reform (hereinafter - “IBOR”) should be disregarded.

- In prospective assessment, the contractual terms of the hedged item and the hedging instrument should be taken into consideration, and the uncertainty arising from the reform should be disregarded.

The CPV Group assessed the effect of the interest rate reform ("IBOR") on its hedge accounting and decided on retrospective adoption of Phase 1 Amendments. Adoption of the Amendments provides temporary exemption from application of hedge accounting requirements for hedges directly affected by the IBOR reform. As a result of the exemptions, application of the IBOR reform will not result in termination of the hedging relationship. However, if the hedge is ineffective, it is recognized in profit or loss. The Amendments also establish triggers for the end of the expedients, including when the uncertainty arising from the Reform subsides.

NOTE 3 — SIGNIFICANT ACCOUNTING POLICIES (cont.)

E. Property, plant & equipment

When assessing whether the hedge is expected to be effective based on forward-looking information, the Company assumed that the LIBOR interest rate underlying the cash flows of the interest swap contracts and of the loans hedged with variable interest rates remain unchanged when applying the LIBOR reform. Accordingly, application of Phase 1 Amendments did not have a significant effect on the consolidated financial statements. The Group continues to implement the Phase 1 expedients, since there is uncertainty as to the timing and amounts of the IBOR cash flows.

1. Recognition and measurement

Property, plant, and equipment items are measured at cost less accumulated depreciation.

The cost of property, plant and equipment includes expenditure that is directly attributable to the purchase of the asset. The cost of self-constructed assets includes the cost of materials, direct labor costs, any additional costs directly attributable to bringing the asset to the location and the condition necessary for it to be capable of operating in the manner intended by management, the estimated cost for decommissioning and removing the items and restoring the site on which they are located, as well as capitalized borrowing costs. Advance payments made in respect of self-constructed assets are recognized as part of the cost of the said equipment.

The Company recognized in the statement of income, all development costs in respect of projects that it develops until a stage at which, in the management's opinion, the feasibility of construction of the project has been proven. From the stage at which the project is feasible, the development and construction costs are capitalized to the project costs. A project is considered feasible when the Company's management believes that the likelihood of the project materializing and generating future economic benefits is greater than the likelihood that it will not materialize.

Cost of purchased software that is integral to the functionality of the related equipment is recognized under the cost of that equipment.

When the Company enters into a transaction to acquire an asset (a transaction that does not constitute a business combination) and the acquisition consideration includes a contingent consideration that depends on the occurrence of future events that are beyond the Company's control, the liability in respect of the contingent consideration is recognized only upon occurrence of the future event (date of realization of the contingent consideration) and recorded against the cost of the acquired asset.

Spare parts, auxiliary equipment and backup equipment are classified as property, plant and equipment when they meet the definition of property, plant and equipment under IAS 16, Property, Plant and Equipment.

When major parts of a property, plant and equipment item (including significant costs of periodic tests) have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gain or loss from derecognition of a property, plant and equipment item is determined based on the difference between the net consideration from the asset's derecognition and its carrying amount; this difference is recorded on a net basis in the other income or expenses item in the income statement.

NOTE 3 — SIGNIFICANT ACCOUNTING POLICIES (cont.)

E. Property, plant & equipment (cont.)

1. Recognition and measurement (cont.)

The Company has BOT service concession arrangements in accordance with the provisions of IFRIC 12 (hereinafter - the “Interpretation”); for each arrangement, the Company assesses whether it falls within the scope of the Interpretation. When the grantor does not control the arrangement, the Company classifies the infrastructure, which is the subject matter of the arrangement, as property, plant & equipment in accordance with the provisions of IAS 16.

2. Subsequent costs

The cost of replacement of part of a property, plant and equipment item and other subsequent costs are recognized as part of the carrying amount of property, plant and equipment if their future economic benefit is expected to be received by the Group and if their cost can be measured reliably. The carrying amount of the replaced part of a property, plant and equipment item is derecognized. Ongoing maintenance costs of property, plant and equipment items are recognized in profit and loss as incurred.

3. Depreciation

Depreciation is a systematic allocation of the depreciable amount of an asset over its useful life. The amortizable amount is the cost of the asset, or another amount that replaces the cost, less its residual value. An asset is depreciated from the date it is ready for use, meaning the date it reaches the location and condition required for it to operate in the manner intended by management.

Amortization is recognized in the income statement (unless included in the carrying amount of another asset) on a straight-line basis over the estimated useful life of each part of the property, plant and equipment items, since this method reflects the expected consumption pattern of the future economic benefits inherent in the asset in the best way possible.

Estimates regarding depreciation methods, useful life and residual value are reviewed at the end of each reporting year and adjusted as needed.

The estimated useful life for the current period and comparative periods is as follows:

Facilities, machinery and equipment (*)	11 - 30	years (mainly 23 to 30)
Scheduled maintenance work	1.5 - 7	years
Roads and buildings	23 - 30	years
Wind farms	35	years
Freehold land is not depreciated.		

(*) The horter of the lease term and the useful life.

NOTE 3 — SIGNIFICANT ACCOUNTING POLICIES (cont.)

F. Intangible assets

1. Goodwill

Goodwill resulting from the acquisition of subsidiaries is presented under intangible assets. For information regarding measurement of goodwill upon initial recognition, see Section A2 above.
In subsequent periods, goodwill is measured at cost less accumulated impairment losses. For further information see Note 12B.

2 Other intangible assets

Other intangible assets acquired by the Group that have a defined useful life are measured at cost less amortization.

3. Amortization

Amortization is the systematic allocation of the amortizable amount of an intangible asset over its useful life. The amortizable amount is the cost of the asset, less its residual value.

Amortization is recognized in the income statement on a straight-line basis, over the estimated useful lives of the intangible assets from the date they are available for use, since these methods most closely reflect the expected pattern of consumption of the future economic benefits best embodied in each asset. Goodwill is not amortized systematically but rather tested for impairment at least once a year.

The estimated useful life for the current period and comparative periods is as follows:

Power purchase agreement*	10	years

* The useful life of the PPA reflects the balance of the agreement period from the acquisition date.

Estimates regarding amortization methods, useful life and residual value are reviewed at least at the end of each reporting year and adjusted as needed.

G. Impairment

1. **Non-derivative financial assets**

The Group recognized a loan loss provision for financial assets measured at amortized cost.

The Group elected to measure the provision for expected credit losses in respect of trade receivables and contract assets at an amount equal to the contractual credit losses over the useful life of the instrument.

A financial asset not presented at fair value through profit and loss is tested for impairment when objective evidence indicates that a loss event has occurred subsequent to initial recognition of the asset, and that the loss event had a negative impact on the estimated future cash flows of such asset that can be measured reliably.

Objective evidence that financial assets are impaired may include contractual breach by a debtor, restructuring of the amount due to the Group under terms which the Group would not consider otherwise, indications that the debtor or issuer will become bankrupt or the disappearance of an active market for a security.

The Group reviews evidence of impairment in respect of receivables and loans on a specific basis.

NOTE 3 — SIGNIFICANT ACCOUNTING POLICIES (cont.)

G. Impairment (cont.)

2. **Non-financial assets**

Timing of impairment testing

The carrying amounts of the Group's non-financial assets, other than inventory and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated.

Determining cash-generating units

For the purpose of impairment testing, assets which cannot be specifically tested are grouped into the smallest asset class that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or other groups of assets (hereinafter - a "cash-generating unit").

Measurement of recoverable amount

The recoverable amount of an asset or cash-generating unit is the higher of its value in use and its fair value less disposal costs. When determining the value in use, the Group discounts the projected future cash flows at the pre-tax discount rate that reflects the estimates of the market participants regarding the time value of the money and the specific risks attributed to the asset. For the purpose of impairment testing, assets are grouped together into the smallest asset class that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or other groups of assets (hereinafter - a "**cash-generating unit**").

Recognition of impairment loss

Impairment losses is recognized if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, and are recognized in profit and loss. With regard to cash-generating units that include goodwill, an impairment loss is recognized when the carrying amount of the cash-generating unit, after grossing up the goodwill balance, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are first allocated to impairment of the carrying value of goodwill attributed to those units and then to impairment of the carrying value of the other assets in the cash-generating units, proportionally.

Reversal of impairment loss

On each reporting date, a review is conducted of whether there are indications that such losses have decreased or no longer exist. An impairment loss is canceled in the event of a change in the estimates used to determine the recoverable amount, only if the carrying amount of the asset, after cancellation of the impairment loss, does not exceed the carrying amount after deduction of depreciation or amortization, that would have been determined had the impairment loss not been recognized. An goodwill impairment loss is not reversed in subsequent periods.

NOTE 3 — SIGNIFICANT ACCOUNTING POLICIES (cont.)

H. Employee benefits

Defined contribution plans.

The Group has a defined contribution plan. A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. The Group's obligations for contributions to defined contribution pension plans are recognized as an expense in profit and loss in the periods during which related services are rendered by the employees. Liabilities for contributions into a defined contribution plan that are due for payment within more than 12 months from the end of the period in which the employees rendered the service are recognized at their present value.

Short-term employee benefits

Obligations in respect of short-term employee benefits are measured on a non-discounted basis, and the expense is recognized when the related service is rendered or in the event of non-accrued absences, at the time of the actual absence.

A provision in respect of short-term employee benefits for a cash bonus or a profit-sharing plan is recognized at the amount expected to be paid, when the Group has a present legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

Share-based compensation transactions

The fair value at the grant date of share-based compensation bonuses to the Company's employees is recognized as a salary expense in parallel to an increase in equity over the period in which a non-contingent entitlement to the bonuses is achieved. The amount recognized as an expense in respect of share-based compensation bonuses that is subject to vesting conditions that are service terms is adjusted to reflect the number of bonuses that are expected to vest.

The fair value of the liability for employees for rights to participate in the earnings of CPV Group was treated as a share-based cash-settled payment and is recognized as an expense against a corresponding increase in liability, over the period in which the unconditional right to payment is achieved. The liability is remeasured at each reporting date until the settlement date. CPV Group's profit-sharing rights are based on CPV Group's fair value. The liability is remeasured at each reporting date until the settlement date. The changes in the fair value of the liability were included in general and administrative expenses in the income statement.

I. Provisions and indemnity assets

The Group recognizes a indemnification asset if, and only if, it is virtually certain that the indemnification will be received if the Group settles the obligation. The amount recognized in respect of indemnification does not exceed the amount of the provision.

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation, and it is more likely than not that an outflow of economic benefits will be required to settle the obligation and the obligation amount can be reliably estimated. When the effect of the time value is material, the provision is measured at its present value.

NOTE 3 — SIGNIFICANT ACCOUNTING POLICIES (cont.)

J. Liability in respect of decommissioning and removal costs of an item and recovery of the site where the item is located

The cost of property, plant and equipment includes the cost of decommissioning and removing the item and restoring the site on which it is located, for which the entity was obligated when the item was acquired or because of the use of the item during a particular period, not for inventory production purposes in such period.

After initial recognition, a change in the estimate of such liability up to the end of the item depreciation period will be added or deducted from the asset in the current period. Changes in such liability due to the passage of time are recognized in profit or loss as finance expenses.

K. Deferred expenses

Deferred charges in respect of payments for connection infrastructure for Pressure Reduction and Metering Systems (hereinafter - “PRMS”), and in respect of electricity transmission lines that are used to connect the Group’s power plants are designed and partly even actually used to connect additional consumers to those infrastructures. Therefore, these costs are treated as long-term deferred expenses. Long-term deferred expenses are amortized in a straight line over a period of use of between 21 and 30 years. Such amortization is recognized under the depreciation and amortization section in the statement of income.

L. Revenues

The Group recognizes revenue when the customer gains control over the promised goods or services. The revenue is measured at fair value of the consideration to which the Group expects to be entitled in exchange for the goods or services promised to the customer, other than amounts collected for third parties.

Revenues from the sale of electricity and steam are recognized in the period in which the sale takes place in accordance with the price set in the electricity sale agreements and the quantities of electricity supplied. Furthermore, Company’s revenues include revenues from provision of asset management services to power plants; those revenues are recognized in accordance to the service provision rate.

When setting the transaction price, the Groups takes into consideration fixed amounts and amounts that may vary as a result of discounts, credits, price concessions, penalties, claims and disputes and contract modifications that the consideration in their respect has not yet been agreed by the parties.

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

Furthermore, the Group recognizes compensation paid to customers in respect of delays in the commercial operation date of the power plant on payment date within long-term prepaid expenses, and amortizes them throughout the term of the contract, from the date of commercial operation of the power plant, against a decrease in revenue from contracts with customers.

When another party is involved in providing services to a customer, the Group shall determine whether the nature of its promise is a performance obligation to provide the specified or services itself (i.e., the Group is a principal supplier and therefore recognizes revenues at the gross consideration amount) or to arrange for those services to be provided by the other party (i.e., the Group is an agent), and therefore recognizes the revenue as the net fee amount.

NOTE 3 — SIGNIFICANT ACCOUNTING POLICIES (cont.)

L. Revenues (cont.)

The Group is a principal if it controls the specified service before that service is transferred to a customer. Indicators that the Group controls the specified service before it is transferred to the customer include the following: The Group is primarily responsible for fulfilling the promise to provide the specified service; the entity bears a risk before the specified service has been transferred to a customer; and the Group has discretion in establishing the price for the specified service.

M. Share capital

Ordinary shares are classified as equity. Incremental costs attributed directly to the issuance of shares less the tax effect is presented as a deduction from equity. Incremental costs attributed directly to the expected issuance of an instrument that will be classified as an equity instrument are recognized as an asset under the deferred expenses category in the statement of financial position. The costs are deducted from the equity upon initial recognition of the equity instruments, or amortized as finance expenses in the statement of income when the issuance is no longer expected to take place.

N. Finance income and expenses

Finance expenses include interest expenses in respect of loans and debentures received, losses from derivative financial instruments recognized in profit and loss, losses from hedging instruments recognized in profit and loss and early repayment fees of loans and debentures. Borrowing costs are recognized in the income statement using the effective interest method.

Finance income includes interest income in respect of loans granted and amounts invested, and gains from derivative financial instruments recognized in profit and loss.

Profits and losses from exchange rate differences in respect of financial assets and liabilities are reported on a net basis as finance income or finance expenses, depending on exchange rate fluctuations, and depending on their position (net profit and loss).

Interest income and expenses are recognized using the effective interest method. As a rule, interest income and expenses are calculated by applying the effective interest rate to the gross carrying amount of the financial asset or the amortized cost of the financial liability, as applicable.

In statements of cash flows, interest received is presented under cash flows from investing activities. Interest paid is presented under cash flows from financing activities. Borrowing costs capitalized to qualifying assets are presented together with the interest paid under cash flows from investing activities. Cash flows paid (or received) in respect of derivative financial instruments not designated for hedging are presented under cash flows from investing activities.

O. Income tax expenses

Income taxes include current and deferred taxes. Income taxes are recognized in the statement of income unless the tax derives from a business combination, or are recognized directly to equity or other comprehensive income if derived from items recognized directly in equity or other comprehensive income.

Current taxes

Current tax is the tax amount expected to be paid (or received) on taxable income in the tax year, when it is calculated at the tax rates under the applicable laws that have been enacted or substantively enacted as at the reporting date. Current taxes include taxes in respect of previous years.

NOTE 3 — SIGNIFICANT ACCOUNTING POLICIES (cont.)

O. Income tax expenses (cont.)

Deferred taxes

Deferred taxes are recognized in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their value for tax purposes. The Group does not recognize deferred taxes in respect of the following temporary differences: (1) initial recognition of goodwill; (2) initial recognition of assets and liabilities in a transaction that does not constitute a business combination and does not affect the accounting profit and the profit for tax purposes; (3) the differences are due to an investment in subsidiaries, if the Group controls the reversal date of the difference and, they are not expected to reverse in the foreseeable future, whether by way of disposal of an investment or by way of distribution of dividends in respect of an investment.

Deferred taxes are measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for carryforward losses, tax benefits and deductible temporary differences, to the extent that it is probable that future taxable income can be utilized. Deferred tax assets are examined on every reporting date, and if the attributed tax benefits are not expected to materialize, they are amortized.

Deferred tax assets which were not recognized are reassessed on every reporting date and recognized if the expectation changes so that future taxable income will be available against which they can be utilized.

Offsetting current and deferred tax assets and liabilities

The Group offsets deferred tax assets and liabilities if there is a legally enforceable right to offset current tax liabilities and assets, and they are attributed to the same taxable income levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously.

The industrial plants owned by some of the Company’s consolidated companies in Israel have a single production line, and as such, these companies, together with the consolidated company that holds these companies (parent company), are entitled to file a consolidated tax report under Section 23 of the Encouragement of Industry Law. Pursuant to Section 24 of said Law, the taxable income or loss of each of the said companies which own the industrial plants shall be regarded as taxable income or as a loss of the parent company holding these companies, and therefore there is a right to offset the deferred assets and liabilities between the consolidating parent company and the companies consolidated under it for tax purposes.

Additional tax on dividend distribution

The Group may undertake additional tax in the event of distribution of dividends by the Group companies. Such additional tax is not included in the financial statements, while the policy of the Group companies is not to cause distribution of a dividend that entails additional tax for the receiving company in the foreseeable future. In cases in which an investee company is expected to distribute a dividend from profits involving additional tax for the Company, the Company creates a tax reserve for the additional tax that the Company may incur in respect of distribution of the dividend.

Income taxes from the distribution of dividends by the Company are recognized in profit and loss on the date of recognition of the obligation to pay the dividend.

NOTE 3 — SIGNIFICANT ACCOUNTING POLICIES (cont.)

P. Earnings (loss) per share

The Group presents basic and diluted earnings (loss) per share (EPS) data for its ordinary shares. Basic earnings (loss) per share is calculated by dividing the profit and loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings (loss) per share is calculated by adjusting the profit or loss attributed to the ordinary shareholders of the Company and adjusting the weighted average number of the ordinary shares outstanding, after adjustment of diluted securities, if any.

Q. Capitalization of borrowing costs

A qualifying asset is an asset that requires a substantial period to prepare it for its intended use or sale. Specific and non-specific borrowing costs are capitalized to a qualifying asset during the period required for construction and completion until it is ready for its intended use. Exchange rate differentials from credit in foreign currency are capitalized if they are considered an adjustment of interest costs. Other borrowing costs are expensed in profit and loss as incurred.

R. Leases

1. Determination of whether an arrangement includes a lease.

At the lease inception date, the Group determines whether the arrangement constitutes or contains a lease, while examining whether the arrangement transfers a right to control the use of an identifiable asset for a period in return for payment. When assessing whether an arrangement transfers the right to control the use of an identifiable asset, the Group examines whether throughout the lease period it has the following two rights:

(a) The right to essentially obtain all the economic benefits associated with the use of the identifiable asset; and
(b) The right to direct the use of the identifiable asset.

For lease contracts that include non-lease components, such as services or maintenance, which are connected to a lease component, the Group elected to account for the lease component separately.

NOTE 3 — SIGNIFICANT ACCOUNTING POLICIES (cont.)

R. Leases (cont.)

2. Leased assets and lease liabilities.

Contracts that convey the right to control the use of an asset in respect of a lease for a period of time in exchange for a consideration are accounted for as leases. Upon initial recognition, the Group recognizes a liability in the amount of the present value of the future lease payments (such payments do not include certain variable lease payments), and at the same time, the Group recognizes a right-of-use asset in the amount of the lease liability, adjusted for the lease payments – prepaid or accrued – plus direct costs incurred in the lease.
Since the interest rate inherent in the Group's leases cannot be easily determined, the Group uses the incremental interest rate of the lessee.

Subsequent to initial recognition, the right-of-use asset is accounted for using the cost model, and amortized throughout the lease period or throughout the useful life of the asset, whichever is earlier.

The Group elected to apply the practical expedient under which short-term leases of up to one year or leases in which the underlying asset has a low value are treated in a way that the lease fees are recognized in profit and loss using the straight-line method, throughout the lease period, without recognizing an asset and/or liability in the statement of financial position.

3. Lease term

The lease term is determined as the period in which the lease is non-terminable, together with the periods covered by an option to extend or terminate the lease if it is reasonably certain that the lessee will choose to exercise or not to exercise the option, respectively.

4. Variable lease payments

Variable CPI-linked lease payments are initially measured using the existing CPI on the lease commencement date and are included in the measurement of the lease liability. When there is a change in the cash flows of the future lease payments due to CPI or exchange rate changes, the balance of the liability is updated against the right-of-use asset.

Other variable lease payments that are not included in measurement of the liability are recognized in profit and loss at the date the payment terms are fulfilled.

5. Amortization of right-of-use asset

Subsequent to the lease commencement date, the right-of-use asset is measured using the cost method, less accumulated depreciation and accrued impairment losses adjusted for re-measurement of the lease liability. The amortization is calculated on the straight line basis over the useful life or the contractual lease period, whichever is earlier, as follows:

- Land 19 - 49 years
- Offices 3 - 9 years
- PRMS facilities 12-16 years

NOTE 3 — SIGNIFICANT ACCOUNTING POLICIES (cont.)

R. Leases (cont.)

6. Subleases

In leases in which the Group sublets the underlying asset, the Group assesses the classification of the sublease as a finance or operating lease, for the right-of-use received from the head lease.

Operating leases

Leases that do not actually transfer any risks and rewards of ownership of the underlying asset are classified as operating leases. The Group recognizes lease payments from operating leases as income on a straight-line basis throughout the lease period.

S. New standards and interpretations not yet adopted

1. Amendment to IAS 1 - "Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current" and subsequent amendment: "Non-current Liabilities with Covenants"

The Amendment, together with the subsequent amendment to IAS 1 (see below) replaces certain classification requirements of current or non-current liabilities. For example, pursuant to the amendment, a liability will be classified as non-current if an entity has the right to defer the payment for a period of at least 12 months after the reporting period, which is "substantive" and exists at the end of the reporting period. The subsequent amendment, as published in October 2022, stipulated that financial covenants, which an entity is required to comply with subsequent to the reporting date, shall not affect the classification of a liability as current or non-current. Furthermore, the subsequent amendment added disclosure requirements for liabilities that are subject to compliance with financial covenants within 12 months after the reporting date, such as disclosure regarding the nature of the financial covenants, the date on which the entity is required to comply with them, and facts and circumstances indicating that an entity will find it difficult to comply with the covenants.

In addition, the amendment clarified that a conversion right of a liability will affect its classification as current or non-current, unless the conversion component is capital-based.

The Amendment and the subsequent amendment will become effective for reporting periods commencing on January 1, 2024; early adoption is permitted. The Amendment and the subsequent amendment will be applied retrospectively, including adjustment of the comparative figures.

The Group is evaluating the implications of the amendment on the financial statements, with no plans for earlier application.

2. Amendment to IAS 1 - Presentation of Financial Statements: Disclosure of Accounting Policies

In accordance with the amendment, entities are required to disclose their material accounting policy information, instead of significant accounting policies. In accordance with the amendment, accounting policy information is material if, when taken into account with other information included in the financial statements, it may be reasonably expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The amendment to IAS 1 also clarifies that accounting policy information is expected to be material if, without it, users of an entity's financial statements would be unable to understand other material information in the financial statements. Furthermore, the amendment clarifies that immaterial accounting policy information need not be disclosed.

The amendment be implemented for reporting periods commencing on January 1, 2023; early adoption is permitted.

The Group is evaluating the implications of the amendment on the financial statements, with no plans for earlier application.

NOTE 4 - DETERMINATION OF FAIR VALUE

In determining the fair value of an asset or liability, the Group uses as much observable inputs as possible. Fair value measurements are divided into three levels in the fair value hierarchy, based on the inputs used in the valuation, as follows:

Level 1 - Quoted (unadjusted) prices in an active market for identical assets or liabilities.

Level 2 - Observable inputs, directly or indirectly, that are not included in Level 1 above.

Level 3 - Data that are not based on observable market inputs.

As part of the accounting policy principles and disclosure requirements, the Group is required to determine the fair value of financial and non-financial assets and liabilities. The fair value is determined for measurement and/or disclosure purposes using the methods described below. Additional information regarding the assumptions used to determine the fair values is provided in the notes referring to that asset or liability.

A. Trade and other receivables

The fair value of trade and other receivables is determined upon initial recognition based on the present value of the future cash flows, discounted at the market interest rate as of the measurement date. With regard to most of the Group’s trade and other receivables, since the credit period is short and constitutes the accepted credit in the industry, the future consideration is not discounted, and subsequent to initial recognition the carrying amount approximates their fair value. The carrying amount of cash and restricted deposits as well as long-term receivables also approximates their fair value, since those assets bear interest at a rate similar to the interest rate accepted in the market for similar assets.

B. Derivative financial instruments

The fair value of foreign currency forwards is determined by using quotations of a trading system that quotes the market input entered by financial entities and used to calculate the fair value. The fair value is determined by discounting the future value arising from the difference between the opening price and the price as of measurement date.

The fair value of interest rate swaps is determined by using quotations of a trading system that quotes the market input entered by financial entities and used to calculate the fair value. The fair value is determined by discounting the estimated future cash flows based on the conditions and the term to maturity of each contract, using market interest rates for a similar instrument at the measurement date. When determining the fair value, the Company takes into account the credit risk of the parties to the contract.

The fair value of CPI swap contracts is determined in accordance with the discounted NIS amount payable in nominal NIS interest and the discounted expected cash flow from NIS real interest. When determining the fair value, the Company takes into account the credit risk of the parties to the contract.

For further information, see Note 23C.

C. Non-derivative financial liabilities

The fair value of certain trade and other payables is determined upon initial recognition based on the present value of the future cash flows, discounted at the market interest rate as of the measurement date. With regard to most of the Group’s trade and other payables, since the credit period is short, the future consideration is not discounted, and subsequent to initial recognition the carrying amount approximates their fair value.

NOTE 4 - DETERMINATION OF FAIR VALUE (cont.)

C. Non-derivative financial liabilities (cont.)

The fair value of all other financial liabilities, which is determined subsequent to initial recognition for disclosure purposes, is calculated as follows: bank loans and loans from non-controlling interests - based on the present value of the future cash flows in respect of the principal and interest component, discounted by the relevant rating curve; marketable debentures - their quoted sale price on closing of trade as of measurement date.

D. Share-based compensation transactions

In Israel

The fair value of employee options is measured using the Black & Scholes option pricing model. The model's assumptions include the share price as of measurement date, the option’s exercise price, expected volatility of the share, the option’s contractual term, expected dividend yield, and risk-free interest rate (based on government bonds). Service terms are not taken into account when determining the fair value. The RSUs’ fair value was valued based on the Company’s share price at grant date.

In CPV Group (cash-settled)

The fair value of employees’ profit-sharing plan, which is calculated every reporting period for measurement purposes, is determined using an option pricing model (OPM). The model's assumptions include the estimated fair value of the plan, which is derived from the value of CPV Group, and the base mechanism that was set in the plan - all as of the measurement date, expected standard deviation, and risk-free interest rate (on the basis of US government bonds). Service terms are not considered when determining the fair value. For further information, see Note 18C.

E. Determining the recoverable amount of cash-generating units that include goodwill using a fair value model net of costs to sell

The fair value of the renewable energies in the US segment, and the fair value of Gnrgy’s activity, that were determined for the purpose of testing for impairment cash-generating units that include a goodwill balance, was determined in accordance with the valuation methodologies listed in Note 12B, through external and independent appraisers.

NOTE 5 - CASH AND CASH EQUIVALENTS AND SHORT-TERM DEPOSITS

A. Cash and cash equivalents with banks

	Nominal interest December 31, 2022	As of December 31, 2022 NIS million	As of December 31, 2021 NIS million
Current account balances		**327**	577
Deposits	**3.3%**	**522**	154
		849	731

B. Short-term bank deposits

	Nominal interest December 31, 2022	As at December 31 2022 NIS million	As at December 31 2021 NIS million
Short term deposits	**3.7%**	**125**	-

For further details regarding the Group's exposure to credit, interest and currency risks, and a sensitivity analysis in respect of cash and cash equivalents and short-term deposits, see Note 23.

NOTE 6 - CASH AND RESTRICTED DEPOSITS WITH BANKS

	Nominal interest December 31, 2022	As of December 31, 2022 NIS million	As of December 31, 2021 NIS million
Stated in current assets			
Cash and short-term restricted deposits (1)	**3.7%**	**36**	1
Stated in non-current assets			
Cash and long-term restricted deposits (2)	**3.6%**	**53**	93

(1) Represents mainly collateral in respect of guarantees.
(2) For further information, see Note 16B1.

For further details regarding the Group's exposure to credit, interest and currency risks, and a sensitivity analysis in respect of cash and restricted cash and deposits, see Note 23.

NOTE 7 - TRADE RECEIVABLES AND ACCRUED INCOME

	As of December 31,	
	2022	2021
	NIS million	NIS million
Open accounts	**67**	27
Income receivable	**193**	167
	260	194

For more information about transactions and balances with related and interested parties, see Note 24.

For further details regarding the Group's exposure to credit and currency risks, and a sensitivity analysis in respect of trade receivables and accrued income, see Note 23.

NOTE 8 - RECEIVABLES AND DEBIT BALANCES

	As of December 31,	
	2022	2021
	NIS million	NIS million
Deposits to a third party for collateral (*)	**125**	51
Prepaid expenses	**33**	18
Institutions	**16**	15
Other	**16**	6
	190	90

(*) The balance mainly includes a collateral provided to secure electricity margin hedge transactions in Valley (an associate of CPV Group; for more information about hedge transaction' see Note 23) at the total amount of NIS 70 million (USD 20 million), and collateral provided in connection with renewable energy projects under development in the USA, at a total amount of NIS 52 million (USD 15 million).

For further details regarding the Group's exposure to credit and currency risks, and a sensitivity analysis in respect of account receivable,, see Note 23.

NOTE 9 - LONG-TERM PREPAID EXPENSES AND OTHER RECEIVABLES

A. Composition

	As of December 31,	
	2022	2021
	NIS million	NIS million
Long-term deferred expenses (B.1)	**97**	104
Payments to customers (B.2)	**25**	27
Deferred finance expenses (B.3)	**19**	29
Loan to an associate (B.4)	**18**	16
Deposits in respect of provision of collateral to a third party	**8**	-
Other	**12**	2
	179	178

B. Additional details

1. Long-term deferred expenses (*)

	As of December 31	
	2022	2021
	NIS million	NIS million
Deferred expenses	**131**	135
Accumulated amortization	**(34)**	(31)
	97	104

(*) Mainly in respect of costs paid to the IEC in respect of infrastructure for electricity transmission lines, and costs of connection to the natural gas transmission system of Israel National Gas Lines (hereinafter - “INGL”).

2. The balance represents compensation paid to customers from 2019 through 2021 due to a delay in the commercial operation date of the Hadera Power Plant, and indemnity to Infinya Ltd. (hereinafter - “Infinya”) in respect of 50% of the cost paid for the construction of the infrastructures bridge that connects Infinya to the Hadera Power Plant.

3. The Group has financing agreements and credit facilities under financing agreements as stated in Note 16B (hereinafter - the “Financing Agreements”), under which, various fees were paid such as financial closing fee and periodic fee in respect of an unutilized credit facilities (hereinafter - the “Fees”). The Fees are carried to the balance of the loans from banks in accordance with the rate of withdrawal from the Financing Agreements, and are part of the effective interest rate.

4. The balance represents a loan advanced to Valley in April 2021 - at the total amount of USD 5 million, whose aim is to obtain certain expedients in connection with credit facilities included in its financing agreement.

NOTE 10 - PROPERTY, PLANT & EQUIPMENT

A. Composition

	Facilities, machinery, and equipment	Assets under construction and development	Other*	Advances on account of property, plant, and equipment	Total
	NIS million	NIS million	NIS million	NIS million	NIS million
Cost					
Balance as of January 1, 2021	2,551	411	357	20	3,339
Acquisitions as part of a business combination	-	62	103	-	165
Additions	6	813	24	17	860
Derecognitions	-	-	(10)	-	(10)
Effect of changes in exchange rates	-	(13)	(5)	-	(18)
Balance as of December 31, 2021	2,557	1,273	469	37	4,336
Additions	61	624	24	143	852
Derecognitions	(44)	(7)	(11)	(33)	(95)
Effect of changes in exchange rates	-	52	14	4	70
Balance as of December 31, 2022	**2,574**	**1,942**	**496**	**151**	**5,163**
Accumulated depreciation					
Balance as of January 1, 2021	570	-	42	-	612
Depreciation per year	117	-	13	-	130
Balance as of December 31, 2021	687	-	55	-	742
Depreciation per year	124	-	17	-	141
Derecognitions	(44)	-	-	-	(44)
Balance as of December 31, 2022	**767**	**-**	**72**	**-**	**839**
Amortized balance as at December 31, 2022	**1,807**	**1,942**	**424**	**151**	**4,324**
Amortized balance as at December 31, 2021	1,870	1,273	414	37	3,594
Amortized balance as at January 1, 2021	1,981	411	315	20	2,727

(*) A total of NIS 12 million is in respect of land owned by CPV Group in the USA

NOTE 10 - PROPERTY, PLANT & EQUIPMENT (cont.)

B. Credit costs capitalized to assets under construction

Borrowing costs capitalized to assets under construction in the years ended December 31, 2022 and 2021 amounted to NIS 58 million and NIS 22 million, respectively.

C. Non-cash purchase of property, plant, and equipment

In the years ended December 31, 2022 and 2021, non-cash property, plant and equipment was purchased in the amount of NIS 166 million and NIS 121 million, respectively.

D. Significant scheduled and other maintenance works

During the year ended December 31, 2022 planned and unplanned maintenance work was conducted in Rotem over 38 days. The cost of the said maintenance work amounted to NIS 48 million.

In April 2022, the steam turbine of the Hadera Power Plant was shut down for planned maintenance work; this work also involved repairs to the gas turbine. The repairs to the gas turbine were completed, and the shutdown due to the repairs to the steam turbine took longer than expected due to additional required repairs; the steam turbine resumed operation as from December 2022.

It should be noted that in 2021 there were 74 days of maintenance work during which the Hadera Power Plant did not work in full capacity in order to carry out replacement and refurbishment activities in the gas and steam turbines.

For information regarding maintenance and service agreements into which Group companies entered, see Note 28B.

E. Material construction and equipment agreements in respect of projects under construction

1. Israel

<u>(a) The Zomet Power Plant</u>

In September 2018, Zomet engaged in a planning, procurement and construction agreement with PW Power Systems LLC for the construction of the Zomet Power Plant. The Construction Agreement is a "Lump Sum Turn-key" agreement, under which the Construction Contractor undertook to construct the Zomet Power Plant in accordance with the technical and engineering specifications fixed and including the Construction Contractor's obligations. In addition, the Construction Contractor undertook to provide certain maintenance services in connection with the main equipment of the Zomet Power Plant, for a period of 20 years commencing on its commercial operation date.

In Zomet’s estimation, the estimated total consideration, based on the anticipated work regime, is USD 300 million (as of the agreement signing date) to be paid in accordance with the dates and milestones set forth in the Construction Agreement (the said consideration includes the maintenance agreement detailed in Note 28B3). As part of its currency risk management policy, in 2020 Zomet partially hedged its exposure to changes in the shekel/dollar exchange rate under the construction agreement through forwards, and opted to implement cash flow hedge accounting (for more information, see Note 23C).

Furthermore, the Construction Agreement includes customary provisions for agreements of this type, including obligations for agreed compensation that are limited in amount, in case of non-compliance with the terms and conditions set forth in the Construction Agreement, including non-compliance with certain guaranteed results and/or non-compliance with the schedule. Under the Construction Agreement, the Construction Contractor is to provide Zomet guarantees, including by the parent company.

NOTE 10 - PROPERTY, PLANT & EQUIPMENT (cont.)

E. Material construction and equipment agreements in respect of projects under construction (cont.)

Under the Construction Agreement, the Construction Contractor undertook to complete the construction work on the Zomet Power Plant, including acceptance tests until late January 2023. As of the approval date of the financial statements, the construction work has not yet been completed.

It is noted that, according to the Construction Contractor, the continuity of construction work was affected, inter alia, by the Covid-19 Crisis, in light of the need for equipment and foreign work teams to arrive, and by delays in the global supply chains of components and equipment required for the project. As of the approval date of the financial statements, Zomet is holding discussions with the construction contractor.

(b) Sorek 2)

In May 2020, Sorek 2 (a special-purpose company wholly-owned by OPC Power Plants) signed an agreement with SMS IDE Ltd. (hereinafter - "IDE"), that won a tender of the State of Israel for the construction, operation, maintenance and transfer of a seawater desalination facility on the Sorek 2 site, whereby Sorek is to supply equipment, construct, operate, and maintain a (natural gas-fired) energy generation facility on the site of the Desalination Facility, with a production capacity of 87 MW (hereinafter – the "Generation Facility"), and supply the energy required for the Desalination Facility for a period to end after 25 years of the Desalination Facility's commercial operation date. At the end of the aforesaid period, ownership of the Generation Facility will be transferred to the State. To secure Sorek 2's commitments under the construction agreement of the generation facility, the Company provided IDE guarantees that will remain valid throughout the term of the construction agreement.

In June 2021, Sorek 2 contracted with BHI CO. Ltd. a South Korean-owned corporation that will serve as the project's construction contractor entered into a "lump sum turn-key" EPC agreement, under which the Construction Contractor will build the said generation facility, all in accordance with the milestones, terms and dates set in relation to each of the agreement's components. An IDE group corporation is also a party to the Construction Agreement (in its capacity as the commissioning party), under which systems are supplied to the desalination facility, for which the said corporation is required to pay.

Sorek 2's share in the amount payable to the Construction Contractor is estimated at NIS 42 million (as of the signing date of the agreement); this amount also includes the amount payable for the purchase of the gas turbines.[1] The consideration as per the agreement is paid in various foreign currencies, specifically the dollar and the euro.

In addition, the construction agreement includes provisions that are generally accepted in agreements of this type, including with regard to capped agreed compensation in respect of delays, non-compliance with execution and availability requirements; the agreement also sets the scope of liability and requirements for provision of guarantees in the different stages of the project.

[1] **The gas turbine shall be supplied by companies of the General Electric (GE) group by virtue of an equipment supply agreement that was originally signed by Sorek 2 and assigned to the construction contractor under the same terms.**

NOTE 10 - PROPERTY, PLANT & EQUIPMENT (cont.)

E. Construction agreements and equipment in respect of projects under construction (cont.)

2. Renewable energies in the USA

(a) The Maple Hill project

Maple Hill entered into several agreements with suppliers and international contractors in relation to the construction of the project: (1) Engineering, procurement, and construction agreement (EPC). **Pursuant to the agreement (as amended from time to time), the Construction Contractor is to plan and construct the required components for the power plant in order to integrate all the required equipment into the power plant. The total consideration to be paid to the contractor is estimated at the financial statements approval date at USD 91 million, a fixed amount payable under a milestone schedule, subject to change in orders; (2) Agreements to acquire, supply and install a transformer in consideration for a fixed amount of approx. USD 2 million.**

It should be noted that during the reporting period, Maple Hill terminated an agreement for the purchase of solar panels with an international supplier (with no early termination fee). As of the agreement termination date, Maple Hill paid USD 10 million for 24 MW of panels that were received. For information about an alternative panels agreement, see Section D below.

(b) The Stagecoach projects

An EPC agreement was signed with the project's construction contractor in May 2022. In accordance with the agreement (as amended from time to time), the contractor is required to plan, conduct engineering work, purchase, install, build, test, and operate the solar project in full based on a secured completion on the set date (Turnkey). The total consideration payable to the contractor as of the financial statements approval date was set at a fixed amount of USD 50 million that will be paid in accordance with milestones.

(c) Other projects under development

In October 2021, the CPV Group entered into a transaction to acquire all rights in two solar projects under development, located in the PJM market. In consideration for the purchase of the rights in the two projects, as of the transaction completion date, the seller was paid a total of USD 9 million. In addition, the transaction includes a contingent consideration mechanism, such that the total consideration in respect of the transaction (plus the amount that was paid on completion date as stated above) may amount to USD 46 million. The contingent consideration will be paid in installments, subject to meeting the Projects’ development milestones, which - as of the Report date - have yet to be met.

(d) agreements for the purchase of solar panels

In March 2022, CPV Group entered into a master agreement for the purchase of solar panels (as amended from time to time) with a total capacity of 530 MW (hereinafter - the “Agreement”). Pursuant to the (amended) agreement, the solar panels will be supplied in accordance with orders to be placed with the supplier by the CPV Group in 2023-2024. The CPV Group has an early termination right in accordance with the dates set, by paying a proportionate share of the consideration payable to the supplier, as derived from the early termination date. Furthermore, the agreement sets, among other things, provisions regarding the panels’ quantities and model and the manner of their supply, as well as provisions regarding the termination of the agreement. The total consideration in respect of the (revised) agreement may amount to USD 187 million (assuming that the maximum quantity specified in the agreement will be purchased).

NOTE 11 - LEASES AND RIGHT-OF-USE ASSETS

A. Composition of right-of-use assets

	Land (b)	PRMS facilities (1)	Offices (2)	Total
	NIS million	NIS million	NIS million	NIS million
Balance as of January 1, 2021	248	20	8	276
Additions	4	-	7	11
Acquisitions as part of a business combination	14	-	20	34
Depreciation for right-of-use assets	(11)	(2)	(5)	(18)
Effect of changes in exchange rates	-	-	(1)	(1)
Balance as of December 31, 2021	255	18	29	302
Additions	27	32	2	61
Depreciation for right-of-use assets	(12)	(2)	(7)	(21)
Effect of changes in exchange rates	3	-	2	5
Balance as of December 31, 2022	**273**	**48**	**26**	**347**

(1) Costs paid to INGL with respect to the construction of the PRMS Facilities for the Hadera and Zomet power plants.

(2) The Group has agreements for the lease of offices in Israel and the USA; the agreements end on various dates in 2024-2028. The Company has an option to extend the agreements in Israel by an additional 5 years. As at the reporting date, there is no reasonable certainty that the option to extend will be exercised. Thus, it was not taken into account in calculating the right of use asset and lease liability.

b. Land lease agreements

1. Israel

(a) The Rotem Power Plant

Rotem has a lease agreement for a 55 hectare plot of land in Mishor Rotem. Under the conditions set out in the agreement, the lease is for a term of 49 years as from November 4, 2010, with an option to extend the lease for one additional term of 49 years, subject to advance notice. In the event of rezoning of the plot during the Lease Term, the Lessor will not be required to extend the Lease Term. The lessor may cancel the lease agreement in events defined in the Agreement as a fundamental breach.

(b) Rotem 2

Rotem 2 has an agreement for the lease of plots with a total area of 5.5 hectares. Land adjacent to the Rotem Power Plant. Under the conditions set out in the agreement, the lease is for a term of 49 years as from March 9, 2014, with an option to extend the lease for one additional term of 49 years, subject to the terms and conditions of the agreement. The lessor may cancel the lease agreement in events defined in the Agreement as a fundamental breach. In August 2022, the Company received from the Israel Lands Authority an extension for the period until completion of the construction work on the land in accordance with the lease agreement (free of charge), up until March 9, 2025, in consideration for the payment of an amount, which is immaterial to the Company. As of the report date, there is no expectation as to the filing of the permit application.

NOTE 11 - LEASES AND RIGHT-OF-USE ASSETS (cont.)

It should be noted that as part of a meeting of the plenum of the National Infrastructure Committee (hereinafter - "NIC") of December 2021, the NIC plenum decided to reject the plan promoted by the Company/Rotem 2 for the construction of natural gas-fired power plant on the said land. As part of the resolution, it was noted that the National Infrastructures Committee advises Rotem 2 to check whether the area may be used for a different technology, and if relevant contact the government in order to amend the authorization. As of the approval date of the financial statements, Rotem 2 assesses the options as to the potential ways of utilizing the area including the building of a power plant using alternative technologies.

(c) The Hadera Power Plant

Hadera leases land covering 2.8 hectares (including an emergency road) from Infinya. The monthly rent amounts to NIS 118 thousand (linked to the CPI), subject to adjustments in certain cases, and the lease term is 24 years and 11 months starting from December 2018. The agreement grants the parties a termination right, inter alia, in various default events, and grants Infinya a termination right in the event of a material breach by Hadera, including breach of the commitment to pay rent, subject to remedy periods and as determined in the agreement.

(d) Hadera 2

Hadera 2 has an agreement with Infinya to lease of a plot of 6.8 hectares adjacent to the Hadera Power Plant, whereby an annual option was awarded to Hadera 2 to exercise a lease agreement regarding land designated for the construction of a power plant, for an average annual payment of NIS 6 million (assuming that the entire option period was utilized as stated above). The option may be renewed every year for a period of up to 5 years (end of 2027), under the terms set in the agreement.

If the option is exercised, the lease agreement to be signed will be for a period of 24 years and 11 months, commencing on exercise date. Furthermore, it provided that the Company will bear all the fees, taxes and payments that will be imposed with regard to the construction of a power plant on the leased property.

In December 2022, Hadera 2 paid NIS 8 million for the option in respect of 2023.

(e) Zomet Power Plant

In January 2020, the Israel Lands Authority (hereinafter - the "**ILA**") approved the allotment of an area of 8.5 hectares for construction of a power plant for electricity generation, which is under construction by Zomet. Similarly, in January 2020, the ILA and Kibbutz Netiv HLH signed a development agreement for the Land, effective until November 5, 2024, and after fulfillment of its terms, a lease agreement will be signed for a term of 24 years and 11 months from approval of the transaction, namely until November 4, 2044. In addition, in January 2020, Zomet and the Kibbutz signed an agreement of principles for the establishment of a joint limited partnership,[2] to which the rights to the Land were transferred upon approval of the transaction by ILA in May 2020. The consideration for the rights of the Kibbutz to the land under which a development agreement with the ILA can be signed amounted to NIS 30 million. In February 2020, an updated lease agreement was also signed according to which the Joint Corporation, as the owner of the Land, will lease the Land to Zomet in favor of the project.

[2] Composition of the Joint Corporation: (1) the general partner, Zomet HLH General Partner Ltd. (1%) held by Zomet (74%) and the Kibbutz (26%); (2) the limited partners are Zomet (73%) and the Kibbutz (26%).

NOTE 11 - LEASES AND RIGHT-OF-USE ASSETS (cont.)

b. Land lease agreements (cont.)

In January 2020, the ILA issued a financial specification of the capitalization fees, according to which the value of the Land (excluding development expenses) was estimated at NIS 207 million (hereinafter - the “Initial Assessment"). In order to complete the Land transaction, in January 2020 Zomet settled the payment of 75% of the Initial Assessment on behalf of the Joint Corporation and through the Kibbutz. The Agreement in Principle clarified that the Kibbutz acted as a trustee of the Joint Company when it signed the Development Agreement with the ILA, and acted as an agent of the Joint Company when it signed the financial specification. Furthermore, the Company provided the remaining balance (25%) of the Initial Assessment as a bank guarantee in favor of ILA (effective as of the report date). For more information about the guarantee, see Note 16C).

In January 2021, a final assessment was issued by the Israel Lands Authority in respect of the land, whereby the value of the usage fees for the land amounts to NIS 200 million (hereinafter – the “Final Assessment”). Accordingly, a refund was received in respect of the difference paid compared with the Initial Assessment.

In November 2021, the Joint Company filed an appraisal appeal on the final assessment. Subsequent to the reporting date, in January 2023 a decision was issued regarding the first legal objection, where under the final assessment sum was reduced to NIS 154 million (excluding VAT). The parties may contest the decision, and the Company intends to assess the possibility of submitting another objection regarding the decision. It should be noted that as of the approval date of the financial statements there is uncertainty as to whether ILA and/or Zomet will continue the proceeding, or regarding the results of the proceeding, should it continue; therefore, the balance of the right of use asset as of the Report date includes the final assessment amount of NIS 200 million.

(a) The Keenan projects

Keenan has an agreement for the lease of land on which a wind farm has been constructed. The term of the lease is until December 31, 2040. The balance of the lease liability and the right of use asset with respect to the land as of the Report date amounts to NIS 13 million (USD 4 million).

(b) The Stagecoach projects

In May 2022, CPV Group entered into a land lease agreement for the Stagecoach project. The term of the agreement is 20 years, with an option to extend by four five-year periods. The balance of the lease liability and the right of use asset with respect to the land as of the Report date amounts to NIS 27 million (USD 8 million) each.

NOTE 11 - LEASES AND RIGHT-OF-USE ASSETS (cont.)

C. Lease liability

Analysis of repayment dates of liabilities for the Group's lease

	As of December 31	
	2022	2021
	NIS million	NIS million
Up to one year	**61**	59
Between one and five years	**25**	23
More than five years	**44**	21
Total	**130**	103
Current maturities of lease liability	**61**	59
Long-term lease liabilities	**69**	44

For information regarding finance expenses in respect of lease, see Note 21E.

NOTE 12 - INTANGIBLE ASSETS

A. Composition

	Goodwill (1)	PPA (2)	Other	Total
	NIS million	NIS million	NIS million	NIS million
Cost				
Balance as of January 1, 2021	1	-	7	8
Additions	-	-	4	4
Acquisitions as part of a business combination	385	361	11	757
Effect of changes in exchange rates	(16)	(17)	-	(33)
Balance as of December 31, 2021	370	344	22	736
Additions	-	-	36	36
Effect of changes in exchange rates	42	44	1	87
`				
Balance as of December 31, 2022	**412**	**388**	**59**	**859**
Amortization				
Balance as of January 1, 2021	-	-	3	3
Depreciation per year	-	35	1	36
Effect of changes in exchange rates	-	(1)	-	(1)
Balance as of December 31, 2021	-	34	4	38
Depreciation per year	-	35	3	38
Effect of changes in exchange rates	-	6	-	6
Balance as of December 31, 2022	**-**	**75**	**7**	**82**
Amortized balance as of December 31, 2022	**412**	**313**	**52**	**777**
Amortized balance as of December 31, 2021	370	310	18	698
Amortized balance as of January 1, 2021	1	-	4	5

(1) Mainly in respect of: (a) Acquisition of CPV Group at the total amount of USD 105 million (as of December 31, 2022 - a total of NIS 370 million). For more information, see Note 25E; and (2) Acquisition of Gnrgy for a total amount of NIS 42 million.

(2) In respect of excess of cost allocated to PPA in the Keenan wind farm as part of the acquisition of CPV Group. For further information, see Note 25E.

NOTE 12 - INTANGIBLE ASSETS (cont.)

B. Annual impairment testing of goodwill arising as part of the acquisition of CPV Group

As part of the acquisition of the CPV Group in January 2021 as set out in Note 25E, the Company recognized goodwill of USD 105 million (as of December 31, 2022 - NIS 370 million), which reflects the future growth potential of the CPV Group's operations, especially through renewable energy.

As described in Note 27, as from the fourth quarter of 2022, the Group's operating segments in the USA changed. In view of the said change, the Company reallocated the goodwill to the renewable energies segment in the USA, since it believes that this allocation reflects fairly the nature of the goodwill that had arisen from the acquisition.

The annual impairment testing of goodwill as of December 31, 2022, was carried out at the level of the renewable energies segment in the USA, since this is the lowest level at which goodwill is subject to monitoring for internal reporting purposes.

The recoverable amount of the segment was set using the fair value method, net of costs to sell, and was estimated by an independent external appraiser, based on the following methodology:

a. With regard to projects under commercial operation, construction or development, whose construction is expected to start in the forthcoming year - using the discounted cash flow method (DCF) by discounting the expected future cash flows of each project, by the weighted average cost of capital (WACC) after tax.

b. In relation to the backlog of projects under development, whose construction is expected to start at a later date (including projects under early development stages) - at estimated fair value per KW, and the likelihood of materialization as a function of the development stages (early/advanced). The fair value per KW was estimated for a typical project by discounting expected future cash flows at the weighted average cost of capital (WACC) after tax.

Set forth below are the key assumptions used in determining the fair value:

a. Forecast years - represent the period spanning from January 1, 2023 to December 31 2054 and are based on the estimate of the economic life of the power plants and their value as at the end of the forecast period.

b. Market prices and capacity - market prices (electricity, capacity, RECs, etc.) are based on PPAs and market forecasts received from external and independent information sources, taking into account the relevant area and market for each project and the relevant regulation.

c. Estimated construction costs of the projects, and entitlement to tax benefits in respect of projects under construction (ITC or PTC, as applicable).

d. The annual long-term inflation rate of 2.3% equals the derived 10-year inflation rate as of the estimate date.

e. The WACC - calculated for each material project separately, and ranges between 6.75% (project with PPAs for sale of the entire capacity) and 8%.

The fair value measurement was classified at Level 3 due to the use of input that is not based on observable market inputs in the assessment model.

As of December 31, 2022, the recoverable amount of the segment, which is estimated at USD 587 million (NIS 2,066 million) exceeds its carrying amount by USD 442 million (NIS 1,555 million), and therefore, no impairment loss was recognized in respect of goodwill. In the Company's opinion, a potential reasonable change in the key assumptions used in determining the recoverable amount of the segment as of the reporting date, would not have caused an impairment loss.

NOTE 12 - INTANGIBLE ASSETS (cont.)

C. Annual impairment testing of goodwill arising as part of the acquisition of Gnrgy

As part of the acquisition of Gnrgy in December 2021, the Company recognized goodwill totaling NIS 42 million, which reflects the potential of future activities of Gnrgy in the market in which it operates.

The Company conducted annual impairment testing as of December 31, 2022. The recoverable amount of Gnrgy’s activity, which represents the lowest level in which goodwill is monitored for internal management purposes, was set through an external independent appraiser, using the fair value method, net of costs to sell, based on discounting expected future cash flows, long-term growth rate of 3% and weighted average cost of capital (WACC) of 19%.

As of December 31, 2022, Gnrgy’s recoverable amount exceeds its carrying amount, and therefore, no impairment loss was recognized. In the Company’s opinion, a reasonable change in the key assumptions used in determining the recoverable amount as of the reporting date, would not have caused an impairment loss.

NOTE 13 – TRADE PAYABLES

	As of December 31,	
	2022	2021
	NIS million	NIS million
Accrued expenses	**286**	373
Open accounts	**49**	95
	335	468

For further details regarding the Group’s exposure to liquidity and currency risks, and a sensitivity analysis in respect of trade payable, see Note 23.

NOTE 14 - PAYABLES AND CREDIT BALANCES

	As of December 31,	
	2022	2021
	NIS million	NIS million
Employees and institutions for salaries	**51**	36
Accrued expenses	**16**	14
Interest payable	**15**	15
Institutions	**7**	8
Liability for a project under construction	**10**	-
Other	**11**	14
	110	87

For further details regarding the Group’s exposure to liquidity and currency risks, and a sensitivity analysis in respect of trade payable, see Note 23.

NOTE 15 - OTHER LONG-TERM LIABILITIES

Composition

	As of December 31,	
	2022	2021
	NIS million	NIS million
Profit-sharing plan for CPV Group employees (1)	**102**	47
Liabilities for evacuation, decommissioning, and removal	**24**	21
Liability for the projects under construction and development	**14**	21
Other liabilities	**6**	2
	146	91

(1) For further information, see Note 18C

NOTE 16 - LOANS FROM BANKING CORPORATIONS AND FINANCIAL INSTITUTIONS

A. Composition

	As of December 31,	
	2022	**2021**
	NIS million	**NIS million**
Long-term loans from banks and financial institutions (1)	**1,816**	1,519
Current maturities	**(92)**	(68)
	1,724	1,451

(1) Long-term loans from banks and financial institutions:

	As of December 31,	
	2022	**2021**
	NIS million	**NIS million**
Hadera loans (see Section (2) and B1 below)	**669**	681
Loans in Zomet (see below - (3) and B2)	**833**	528
Loan in Keenan (see below - (4) and B4)	**310**	305
Loans in Gnrgy	**4**	5
	1,816	1,519

Interest rates of loans from banks and financial institutions:

(2) Hadera loans - annual interest at rates between 2.4% and 3.9% (for the linked loans) and between 3.6% and 5.4% (for the unlinked loans).

(3) The Zomet loans - annual interest of prime + 0.95% (as of the Report date - 5.7%).

(4) Keenan loan - annual interest of LIBOR + 1% to 1.375%. CPV Group hedged approx. 70% of its exposure to changes in the LIBOR interest through an interest swap contract, that was designated to hedge an accounting cash flow; the interest was hedged at an average LIBOR rate of 0.93%, such that as of the Report date, the weighted interest is approx. 3%.

NOTE 16 - LOANS FROM BANKING CORPORATIONS AND FINANCIAL INSTITUTIONS (cont.)

B. Additional details (cont.)

1. Hadera financing agreement:

In July 2016, Hadera entered into a financing agreement for the senior debt with a consortium of lenders, headed by Israel Discount Bank Ltd. and Harel Insurance Company Ltd. to finance the construction of the Hadera Power Plant, according to which the lenders undertook to provide credit frameworks to Hadera, mostly linked to the CPI, up to an amount of NIS 1,006 million in several facilities (some of which are alternates): (1) a long-term credit facility (including a facility for changes in construction and related costs); (2) a working capital facility; (3) a debt service reserves account and a VAT facility; (4) a guarantees facility; and (5) a hedge facility.

Some of the loans under the Hadera Financing Agreement are linked to the CPI and some are unlinked. For information about the interest rates as per the Hadera Financing Agreement, see Section a(1) above. The loans are repaid on a quarterly basis up to 2037, starting from the first quarter of 2020.

In addition, under the Hadera Financing Agreement, commencing from commercial operation, Hadera provided a debt service reserve in an amount equal to the amounts of two consecutive quarterly debt payments (as at the report date - NIS 34 million) and an owners' guarantee reserve in the amount of NIS 15 million.

In respect of the Hadera Financing Agreement, liens were placed in favor of Discount Bank, as a trustee for the collateral on behalf of the Hadera Lenders, on all Hadera's existing and future assets, on its rights, and on the Company's holdings in Hadera.

In addition, the Hadera's Financing Agreement includes standard restrictions for agreements of this type, including: (1) prohibition on placing charges on additional assets and restrictions on the transfer and sale of assets; (2) a prohibition to execute material changes such as merger or engaging in occupations other than the project; (3) restrictions on assuming financial debts and provision of guarantees; (4) restrictions on capital expenditure; (5) conditions for engaging in PPAs; (6) the requirement to obtain the lender's consent to the engagement in material agreements; (7) restrictions on distribution and transactions with interested parties, as outlined below; (8) the inclusion of a cross-default clause in respect of Hadera's financial debts and in relation to financial debts of material entities involved in the project (as defined in the agreement), provided that various conditions listed in the agreement are fulfilled, including minimum debt amount of USD 100 thousand and a material adverse effect on the project. Furthermore, as is generally accepted in project financing, Hadera has certain rights that are exercisable only after obtaining the lenders' consent, and the lenders have reserved discretion under certain circumstances. Furthermore, the agreement sets out a list of breach events, including: various default events and discontinuance of the activity of Hadera or other material parties to the project (as defined in the agreement), events that lead to the postponement of the commercial operation date, events that have a material adverse effect (as this term is defined in the agreement), events related to the suspension of the power plant's construction or activity for the periods set, various events relating to IEC and the services received therefrom, including default and payment default events, breach of undertakings or representations, force majeure events (as defined in the agreement) that allow the cancellation of the project documents (as defined in the agreement), regulatory changes that have an adverse effect on the project or the financing, certain loss or expropriation events in connection with the project, events relating to the project's insurance policies, breach of financial covenants, change in Hadera's ownership; various events relating to Infinya, including default events, discontinuance of activity, going concern emphasis of matter, and downgrading of rating below a set threshold, and the materialization of certain events pertaining to material private customers (as defined in the agreement) including default events and discontinuance of activity; all in accordance with the terms and remediation periods set in the agreement. The Company has undertaken not to sell or transfer its stake in OPC Power Plants without first obtaining the lenders' consent.

NOTE 16 - LOANS FROM BANKING CORPORATIONS AND FINANCIAL INSTITUTIONS (cont.)

B. Additional details (cont.)

1. Hadera financing agreement (cont.):

Distribution by Hadera as defined in the financing agreement is subject to a series of conditions described in that agreement, including: repayment of the principal in three installments according to the repayment schedule, after a minimum of 12 months after the date of commercial operation, the absence of a default or potential default event, compliance with the following financial covenants: Historic DSCR, Projected DSCR and LLCR at a minimal rate of 1.25, and subject to the conditions set out in the agreement, the debt service account and reserve accounts complying with the level required under the agreement, maintaining a minimum cash amount as required under the amendment to the Hadera Subscription Agreement described below, proof of ability to comply with the take or pay undertakings as per the natural gas supply agreement by the next planned calculation date (as defined in the agreement), and no more than two distributions were carried out in a 12-month period. If the Hadera Power Plant fails to meet the conditions for generation facilities using cogeneration technology as described in the Cogeneration Regulations, it will be required to provide proof of its ability to meet payments to the Israel Electric Corporation and the Israeli Electricity Authority as a result of non-compliance with the said conditions.

Hadera has a guarantee facility in the amount of NIS 60 million (of which NIS 6 million has been used as at the date of the financial statements), a hedge facility in the amount of NIS 68 million, and a working capital facility in the amount of NIS 30 million, which has not been utilized.

In view of the delay of the commercial operation of the Hadera Power Plant, in 2020 and 2021, the Company provided Hadera with loans in the total amount of NIS 92 million, after approval by the Company’s Board of Directors.

Hadera Equity Subscription Agreement

The Hadera Equity Subscription Agreement (as amended from time to time) includes the Company's commitments to pay fees, hedging agreements, and commitments to provide a number of guarantees, including guarantees for insolvency scenarios in the event of failure to collect up to NIS 8 million from customers, and additional bank guarantees in certain cases. Furthermore, the Company is required to comply with certain covenants, as described in Section B5 below.

Hadera rating:

In December 2022, Hadera’s senior debt was rated by Maalot with a rating of A+ with a stable outlook.

2. Zomet financing agreement:

In December 2019, a financing agreement for a senior debt (project financing) to finance the construction of the Zomet Power Plant was signed between Zomet and a syndicate of lenders led by Bank Hapoalim Ltd., the main points of which are as follows:

Under the Zomet Financing Agreement, the Zomet Lenders undertook to provide Zomet a long-term loan facility, a standby facility, a working capital facility, a debt service reserve, a VAT facility, third-party guarantees, and a hedge facility in the total amount of NIS 1,372 million. The loans will be repaid in quarterly payments, starting shortly after the end of the first or second quarter following the start of the commercial operation of the Zomet Power Plant (up to the date of the first interest payment, the interest amounts will be accrued to the loan principal on a quarterly basis) and up to the date of the final repayment, which will fall on the earlier of the end of 19 years from the start of the commercial operation or 23 years after signing the Zomet Financing Agreement (but no later than December 31, 2042). Some of the facility amounts will be CPI-linked, while another portion will be USD-linked. The loans will accrue interest at the rates set out in the Zomet Financing Agreement (for more information see section A(1) above).

NOTE 16 - LOANS FROM BANKING CORPORATIONS AND FINANCIAL INSTITUTIONS (cont.)

B. Additional details (cont.)

2. Zomet financing agreement (cont.):

The Zomet Financing Agreement (as amended) includes provisions regarding the conversion of the loans' interest from variable interest to fixed interest or CPI-linked fixed interest, provided that the total loan amount granted in NIS interest shall not exceed NIS 750 million, according to the alternative prescribed in the amendment to the agreement in this matter. This is carried out automatically, within 6 years from the agreement's signing date, or prior to that date at the request of Zomet, or, in certain cases set out in the agreement, at the request of Bank Hapoalim. Such loans that will be converted shall bear NIS debenture interest, or CPI-linked debenture interest (as defined in the agreement) plus a 2%-3% margin.

Zomet has the right to make early repayment of the loans within 6 years after signing the Zomet Financing Agreement, subject to a reduced one-off payment (without an early repayment penalty), provided that up to the early repayment date, the loans were not converted into loans bearing fixed or CPI-linked interest, as set out above.

The withdrawals from the various facilities are subject to the absence of default events and to compliance with various conditions as is standard in agreements of this type, including, in certain circumstances, receipt of approval from the technical advisor of the Zomet Lenders and compliance with financial covenants (ADSCR and LLCR of 1.3).

In addition, the Zomet Financing Agreement sets standard restrictions and undertakings as is generally accepted in agreements of this type, including, among other things, prohibition on placing charges on assets and restrictions on the transfer and sale of assets; restrictions on assuming financial debts and provision of guarantees; the requirement to obtain the lender's consent to the engagement in material agreements and to execute other material steps; undertaking to maintain certain maintenance reserve (planned and unplanned) and debt service reserve; reserved discretion to lenders as is generally accepted in agreements of this type; undertaking to ensure that rating is assigned to the project; obtaining the permits required to operate the power plant on the dates set in the agreement; undertakings in connection with the operation and maintenance of the project since Zomet serves as the project's operation contractor; undertaking to provide confirmations as to compliance with the terms of the agreement, including financial covenants and obtaining permits for the project as required by law as of the withdrawals' dates; and various restrictions on exceeding the project's budgets. In addition, the Zomet Financing Agreement sets a list of standard breach events generally accepted in agreements of this type, including, among other things, various default events and discontinuance of the activity of Zomet or other material parties to the project (as defined in the agreement), events that delay the commencement of construction work or lead to the postponement of the commercial operation date, breach of undertakings and representations or payment default, events that have a material adverse effect, events related to the suspension of the project's construction or activity for the periods set, various events relating to the System Operator and the services received therefrom, certain ownership changes in Zomet, certain force majeure events, regulatory changes that have an adverse effect on the project or the financing, certain events relating to the project, including in relation to the land on which the project will be built, outstanding legal proceedings in connection with the project, and Zomet's not being entitled to receive payments in respect of availability; all in accordance with the terms and remediation periods set in the agreement.

Under the Zomet Financing Agreement, liens were provided in favor of Poalim Trust Services Ltd., as a trustee for the collateral on behalf of the Lenders, on part of Zomet's existing and future assets, on Zomet's rights, and on the Company's holdings in Zomet.

NOTE 16 - LOANS FROM BANKING CORPORATIONS AND FINANCIAL INSTITUTIONS (cont.)

B. Additional details (cont.)

2. Zomet financing agreement (cont.):

Distribution by Zomet (including repayment of shareholders' loans) as defined in the Zomet Finance Agreement is subject to various conditions that are described in the foregoing agreement, among others: Subsequent to the approved construction completion date (as defined in the agreement) one quarterly principal and interest payment was made in respect of the loans under the long-term credit facility and the standby credit facility; at least 12 months have elapsed since the date of commercial operation (as defined in the agreement); the absence of a breach or potential default event; compliance with the following financial covenants: historic ADSCR, predicted ADSCR and LLCR will not fall below 1.2; the reserve accounts and the third-party guarantees facility comply with the levels set in the agreement; under certain circumstances, maintaining minimum cash amounts required; no more than four distributions will be executed per year (and if the emissions permit applicable to the project includes restrictions that the bank believes are reasonably likely to restrict the availability payments payable to the project at the approval tariff - no more than one distribution per year); all the loans provided from the credit facility for filling the debt service reserve, from the third party guarantee facility and the hedging facility, are paid up in full.

The Zomet Equity Subscription Agreement:

In December 2019, Zomet and the Zomet Lenders signed an Equity Subscription Agreement.

The Zomet Equity Subscription Agreement includes various other undertakings of the Company in connection with the provision of NIS 293 million in equity to Zomet (which was provided in full) as defined in Zomet's Financing Agreement, and additional equity under certain circumstances, including where the capital requirements stipulated by law are revised and up to NIS 50 million, and in certain scenarios that have an adverse effect on the project (such as failure to obtain certain permits or the placement of certain restrictions on the power plant's activity), resulting in the Company's being required to provide further equity that may also include the entire amounts required to service the debt and fund the remaining project construction and operation expenses, as the case may be. In addition, the Company undertook that shortly before the start of commercial operation, it will provide a bank guarantee, which will serve as collateral for Zomet's debt under the financing agreement, in the amount of NIS 15 million (which, in certain circumstances, could increase to NIS 22.5 million), and the Company undertook to provide, in certain cases, certain additional bank guarantees required for the project, to the extent they are not issued out of the guarantee facility provided under the Zomet Financing Agreement.

Zomet rating:

In August 2022, Zomet's senior debt was rated AA- with a negative outlook by Maalot.

NOTE 16 - LOANS FROM BANKING CORPORATIONS AND FINANCIAL INSTITUTIONS (cont.)

B. Additional details (cont.)

3. The Group's credit facilities:

Credit facility agreement with Harel:

In October 2020, the Company signed an agreement with entities from the Harel Group, according to which Harel undertook to provide the Company an NIS loan facility in the total amount of NIS 400 million. In the reporting period, an extension was signed for the said loan facility through November 2023, with an option to renew the loan facility by one further year.

During the facility term, the Company will be entitled to withdraw: (a) short-term loans, which will be repaid at the end of the facility period or converted into long-term loans (end of the facility period), and (b) long-term loans. The loans withdrawn from the credit facility will be used for one or more of the following purposes: (A) as payment for part of the consideration under the acquisition agreement of CPV Group, or to provide the amounts required by the CPV Group for development of its business; or (B) for the Company's operating activities in the ordinary course of business, subject to completion of the transaction for acquisition of the CPV Group. The principal of the long-term loans to be provided to the Company will be repaid after 36 months from the first long-term withdrawal or from the end of the Facility Term, whichever is earlier.

As part of the said extension the annual interest rate for the loans to be granted would be revised to the higher of: the interest rate of the Bank of Israel, with an added spread of 2.6% or the spread on the Bonds Series B of the Company, with an added 0.5%; the payments will be made on a quarterly basis. The agreement provides that upon occurrence of any of the following events, the interest rate on the loans will increase by 2%: (A) non-compliance with the Minimum Liquidity Requirement as described below and as set out in the agreement; (B) the Company's shareholders' equity to asset ratio drops below 25%; and (C) the LTV (as defined in Note 16B5) of the pledged rights is higher than 40%.

Under the agreement, the Company undertook, as from the first withdrawal, to comply with certain financial covenants, as set out in Note 16B5 below, which, if breached, Harel may, among other things, call for immediate repayment of the full balance of the loans. The financial covenants will be verified shortly after the approval of the Company's quarterly financial statements beginning on the first withdrawal date. In addition, up to the Final Repayment Date, the Company is required to maintain a cash balance or certain deposits (hereinafter – the "Minimum Liquidity Requirement"). As a condition for the execution of the dividend distribution, the Company undertook to comply with the following financial covenants: the Company's equity shall not be lower than NIS 850 million, the Company's equity to asset ratio as per its standalone financial statements will not be lower than 30%, the LTV (as defined in Note 16B5) will be lower than 35%.

Distributions of a dividend by the Company are subject to certain conditions, including compliance with the financial covenants, as set out above, compliance with the Minimum Liquidity Requirement, and the absence of a default event.

As collateral for the Company's liabilities to Harel under the agreement, a lien will be place in favor of Harel on the Company's direct and indirect rights (as a limited partner) in OPC Power, and on certain bank accounts of the Company and of the General Partner in OPC Power.

As of the approval date of the financial statements, no initial withdrawal from the credit facility was carried out.

NOTE 16 - LOANS FROM BANKING CORPORATIONS AND FINANCIAL INSTITUTIONS (cont.)

B. Additional details (cont.)

3. The Group's credit facilities (cont.):

Binding short-term credit facilities from Israeli banks

As of the date of the Report, the Company has short-term credit facilities, and other credit facilities for periods of up to three years from Israeli banks, in a total aggregate amount of NIS 300 million[3] (as of the financial statements approval date, the unutilized balance of the credit facilities amounts to NIS 290 million). The interest rate payable on the said facilities is Prime plus a credit margin as is generally accepted in the market for similar credit facilities. The credit facilities include financial covenants as set out in Section B5 below. As of the approval date of the Report, the credit facilities are in force until various dates in the second half of 2023.

4. Keenan Financing Agreement:

In August 2021, Keenan and a number of financial entities entered into a NIS 387 million (approx. USD 120 million) financing agreement, comprising a NIS 335 million (total of approx. USD 104 million) loan term and ancillary credit facilities (working capital and letters of credit) totaling NIS 52 million (approx. USD 16 million).[4] The loan and the ancillary credit facilities in the Financing Agreement shall be repaid in installments over the term of the agreement; the final repayment date is December 31, 2030. For information regarding interest rates, see Section a(1) above.

It should be noted that the Keenan Financing Agreement includes, among other things, and as customary in agreements of this type, provisions regarding mandatory prepayments, fees in respect of credit facilities, annual fees relating to the issuance of LC and additional customary terms and conditions, including hedging of the base interest rate in respect of 70% of the loan (for details, see Section A above).

As part of the Financing Agreement, collateral and pledges on the project's assets held by Keenan were provided in favor of the lenders. In addition, the financing agreement includes a number of restrictions in respect of distribution, such as compliance with a minimum debt service coverage ratio of 1.15 during the 4 quarters that preceded the distribution, and a condition whereby no grounds for repayment or default event exists (as defined in the financing agreement).

In addition, the Keenan Financing Agreement includes grounds for calling for immediate repayment as customary in agreements of this type, among others – breach of representations and covenants that have a material adverse effect, default events, non-compliance with certain obligations, various insolvency events, termination of the activities of the project or termination of significant parties in the project (as defined in the agreement), occurrence of certain events relating to the regulatory status of the project and maintaining of government approvals, certain changes in the project's ownership, certain events in connection with the project, existence of legal proceedings relating to the project, and a situation wherein the project is not entitled to receive payments for electricity – all in accordance with and subject to the terms and conditions, definitions and cure periods detailed in the financing agreement.

As at the report date, Keenan utilized NIS 47 million (USD 14 million) of the said credit facilities.

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[3] Of which, a total of NIS 100 million is from Mizrahi Tefahot Bank Ltd., which is a related party to the company. For further information – see Note 24.
[4] It is noted that, concurrently with the closing of the Keenan Financing Agreement, Keenan repaid its former financing agreement. For further information, see Note 21E.

NOTE 16 - LOANS FROM BANKING CORPORATIONS AND FINANCIAL INSTITUTIONS (cont.)

B. Additional details (cont.)

5. Financial covenants

Financial covenants	Breach ratio	Ratio as of December 31, 2022
Covenants applicable to Hadera in connection with the Hadera Financing Agreement		
Minimum projected DSCR*	1.10	1.21
Average projected DSCR*	1.10	1.59
LLCR***	1.10	1.70
Covenants applicable to the Company in connection with the Hadera Equity Subscription Agreement		
Company's shareholders equity (separate) (through the end of the construction contractor's warranty period)	will not fall below NIS 250 million	NIS 3,507 million
The Company's equity to asset ratio (separate)	will not fall below 20%	65%
Minimum cash balance or bank guarantee from Hadera's commercial operation date through the end of the construction contractor's warranty period	will not fall below NIS 50 million	The cash balance is higher than NIS 50 million
Covenants applicable to Zomet in connection with the Zomet Financing Agreement (1)		
Historic ADSCR**	1.05	1.19
Historic ADSCR**	1.05	N/A
LLCR***	1.05	1.45
Covenants applicable to the Company in connection with the Harel credit facility		
The Company shareholders' equity (separate)	will not follow below NIS 550 million	NIS 3,507 million
The Company's shareholders' equity (separate)	will not fall below 20%	65%
The Company's net debt to adjusted EBITDA ratio	will not exceed 12	5.6
The LTV**** of the pledged rights (1)	will be less than 50%	**N/A**
Covenants applicable to the Company in connection with the Discount credit facility		
The Company shareholders' equity (separate)	will not at any time fall below NIS 1,000 million	NIS 3,507 million
The Company's shareholders' equity (separate)	will not fall below 20%	65%
Covenants applicable to the Company in connection with the Mizrahi credit facility		
The Company's shareholders' equity	will not fall below NIS 550 million	NIS 4,366 million
The Company's equity to asset ratio	will not fall below 20%	46%
Covenants applicable to the Company in connection with the Poalim credit facility		
The Company's shareholders' equity (separate)	will not at any time fall below NIS 1,200 million	NIS 3,507 million
The Company's equity to asset ratio	will not at any time fall below 40%	46%
The ratio between the net financial debt less the financial debt designated for construction of the projects that have not yet started to generate EBITDA, and the adjusted EBITDA	will not at any time exceed 12	5.6

(1) It should be noted that pursuant to the Zomet Financing Agreement, so long as Zomet Power Plant's commercial operation period has not commenced, all financial covenants are assessed in relation to the period starting on the first repayment date of the loans (except for the historic ADSCR, which will be assessed initially in the commercial operation period).
(*) DSCR - The ratio between the free cash flows for debt service and the principal and interest payments for the relevant period – all subject to the definitions and terms and conditions of the relevant financing agreement.
(**) ADSCR - The ratio between the free cash flows for servicing the debt and principal and interest payments in a relevant period of one year (subject to the definitions and terms and conditions of the financing agreement).
(***) LLCR - The ratio between the present value of the future free cash flows for debt service from projects and the balance of the loan as at the calculation date – all subject to the definitions and terms and conditions of the relevant financing agreement.
(****) LTV - The ratio between the total outstanding balance of the loan and the value of the Company's holdings (as a limited partner) in OPC Power.
As at the reporting date, the Group companies comply with all the financial covenants.

NOTE 16 - LOANS FROM BANKING CORPORATIONS AND FINANCIAL INSTITUTIONS (cont.)

C. Guarantees

Set forth below is a breakdown of the bank guarantees provided by the Company and Group companies to third parties:

	As of December 31,	
	2022	**2021**
For operating projects in Israel (1)	**111**	102
For projects under construction and development in Israel (2)	**128**	84
In respect of virtual supply activity in Israel (3)	**62**	35
For operating projects in the USA (Keenan)	**50**	38
In respect of projects under construction and development in the USA (Group 4) (CPV)	**90**	26
	441	285

(1) Mainly in respect of: (a) NIS 80 million in (CPI-linked) bank guarantees provided by Rotem in favor of the System Operator, as required under the PPA. Subsequent to the reporting date, in January 2023, the guarantees amounts were updated to a total of NIS 88 million. (b) A (CPI-linked) NIS 18 million bank guarantee provided by the Company on behalf of Hadera, as required in accordance with the financial covenants of the Israeli Electricity Authority.

(2) Mainly in respect of: (a) A (CPI-linked) NIS 62 million bank guarantee provided by the Company, for Zomet, in favor of ILA (for more information, see Note 11B). It should be noted that during the reporting period, restricted cash in the amount of approximately NIS 15 million were released, which were provided as security for this bank guarantee. (b) Bank guarantees in the total amount of NIS 31 million (most of which are CPI-linked) provided by the Company for the construction of energy generation facilities on the consumers' premises, and are connected to the distribution grid. (c) NIS 23 million in bank guarantees provided by the Company on behalf of Sorek 2, which were designed to secure Sorek 2's undertakings by virtue of the agreement for the construction of the Sorek generation facility (for more information, see Note 10E1(b)).

(3) Mainly in respect of a NIS 60 million bank guarantee (CPI-linked) provided in favor of the System Operator for the purpose of allocating certain customers to the virtual supply activity. Subsequent to the reporting date, in January 2023, the guaranteed amount was updated to a total of NIS 50 million.

(4) In respect of bank guarantees provided by CPV Group to secure its undertakings in connection with projects under construction in the USA. It should be noted that during the reporting period NIS 46 million in monetary collateral were released, which were replaced by some of the said bank guarantees.

NOTE 17 - DEBENTURES

A. Composition

	As of December 31,	
	2022	2021
	NIS million	NIS million
Marketable debentures	**1,840**	1,811
Less current maturities	**(33)**	(22)
	1,807	1,789

B. Additional details

In April 2020, the Company issued Debentures (Series B) with a par value of NIS 400 million (hereinafter – “**Debentures (Series B**)”). The issuance costs amounted to NIS 4 million. The Debenture B are listed on the TASE, are CPI-linked and bear annual interest of 2.75%. The principal and interest for Debentures (Series B) will be repaid in unequal semi-annual payments (on March 31, and September 30 of every calendar year), starting from March 31, 2021 and up to September 30, 2028 (the first interest payment falls on September 30, 2020).

In October 2020, the Company issued additional Debentures (Series B) (hereinafter – the “Additional Debentures (Series B)”) by way of expanding the series, in the amount of NIS 556 million par value. The proceeds of the issuance of the Additional Debentures (Series B) amounted to NIS 584 million. Issuance costs amounted to NIS 7 million.

In September 2021, the Company issued Series C debentures at a par value of NIS 851 million (hereinafter - “Debentures C”), with the proceeds of the issuance designated, among other things, for early repayment of Rotem’s project financing in October 2021. The debentures are listed on the TASE, are not CPI-linked and bear annual interest of 2.5%. The debentures shall be repaid in twelve semi-annual and unequal installments (on February 28 and August 31) as set out in the amortization schedule, starting on February 28, 2024 through August 31, 2030 (the first interest payment is due on February 28, 2022). The issuance expenses amounted to about NIS 9 million.

The Series B and C debentures are rated ilA-/Stable by Maalot.

The deeds of trust of Debentures B and C (hereinafter in this section - the “Deeds of Trust”) include generally acceptable causes to call for immediate repayment (subject to stipulated remediation periods), including default events, liquidation proceedings, receivership, suspension of proceedings and debt arrangements, merger under certain conditions without obtaining debenture holders’ approval, material deterioration in the condition of the Company, failure to publish financial statements in a timely manner, etc. Furthermore, a right to call for immediate repayment was established under the following circumstances: (1) In case of a call for immediate repayment of another series of debentures (marketable on the TASE or on the TACT Institutional system) that the Company has issued; or of another financial debt (or a number of cumulative debts) of the Company and of consolidated companies (except for the case of having to make immediate repayment of a non-recourse debt), including forfeiture of a guarantee (that secure payment of a debt to financial creditor) that the Company or investee companies made available to a creditor, in an amount not less than USD 75 million (and for Series B - shall not be lower than USD 40 million);

NOTE 17 - DEBENTURES (cont.)

B. Additional details (cont.)

(2) Upon breach of financial covenants on two consecutive review dates; (3) In the case described in Subsection 2 (and even without waiting for the second review date) if the Company has carried out an extraordinary transaction with a controlling shareholder, other than according tothe Companies Regulations (Expedients in Transactions with an Interested Party), 2000, without obtaining prior approval of the debenture holders by special resolution; (4) If an asset or a number of assets of the Company are sold in an amount representing over 50% of the value of the Company's assets according to the Company's consolidated financial statements during a period of 12 consecutive months, or if a change is made to the main operations of the Company, except where the consideration of the sale is intended for the purchase of an asset or assets within the Company's main area of operations (the "main operations of the Company" - the field of energy, including electricity generation in power plants and from renewable energies); (5) Upon the concurrence of certain events leading to loss of control; (6) In the event that a "going concern" emphasis-of-matter paragraph is included in the Company's financial statements solely in respect of the Company, for a period of two consecutive quarters; (7) If the Company breaches its undertaking not to place a general floating charge on its current and future assets and rights, in favor of any third party, without the criteria set in the Deed of Trust being met; (8) Distribution in breach of the provisions of the Deed of Trust. All in accordance with the terms set out in the Deeds of Trust signed between the Company and Reznick Paz Nevo Trust Company Ltd.

Furthermore, the Deeds of Trust include an undertaking on behalf of the Company to comply with financial covenants and restrictions (including restrictions as to distribution, expansion of series, provisions as to interest adjustment in the event of change in rating or non-compliance with financial covenants). Following are the financial covenants:

Ratio	Required value. Series B	Required value. Series C	Actual value as of December 31, 2022
Net financial debt (1) to adjusted EBITDA (2)	will not exceed 13 ((for distribution purposes - 11)	will not exceed 13 ((for distribution purposes - 11)	5.6
The Company shareholders' equity (separate)	will not fall below NIS 250 million (for distribution purposes - NIS 350 million)	will not fall below NIS 1 billion (for distribution purposes - NIS 1.4 billion)	3,507
The Company's shareholders' equity (separate)	will not fall below 17% (for distribution purposes - 27%)	will not fall below 20% (for distribution purposes - 30%)	65%
The Company's shareholders' equity (consolidated)	--	will not fall below 17%	46%

(1) The consolidated net financial debt less the financial debt designated for construction of the projects that have not yet started to generate EBITDA.
(2) Adjusted EBITDA as defined in the deed of trust.

As of December 31, 2022, the Company complies with the said financial covenants.

NOTE 17 - DEBENTURES (cont.)

B. Additional details (cont.)

In addition, the Deed of Trust includes an undertaking not to create a floating charge on the Company's assets and rights, both current and future, in favor of any third party without fulfillment of one of the terms and conditions stipulated in the Deed of Trust; everything shall be according to the terms stipulated in the Deed of Trust (it is clarified that the Company and/or its investees will be entitled to create a fixed and/or floating lien on any of their assets, without fulfillment of any of the said terms and conditions).

The terms of the debentures also include an option to increase the interest rate under certain instances of changes in rating and in certain cases of failure to comply with financial covenants (in accordance with thresholds set in the Deeds of Trust). The Company's ability to expand the series of debentures is subject to certain restrictions, including maintaining the rating of the debentures as it stood prior to such expansion and non-breach of financial covenants.

NOTE 18 - EMPLOYEE BENEFITS

A. Post-employment benefit plans – defined contribution plan

The Group has a predefined plan in respect of its liabilities to employees in Israel and the USA.

	For the year ended December 31		
	2022	2021	2020
	NIS million	NIS million	NIS million
Amount recognized as an expense for a defined contribution plan	**10**	8	4

It should be noted that the Group has defined benefit plans in non-material amounts.

B. Equity compensation plan in Israel

In July 2017, the Company's board of directors (after the approval of the Company's compensation committee) approved an options plan (hereinafter – the "Options Plan") for offerees. Under the plan, the Company will allot the offerees, whose identity will be determined by the board of directors (and the general meeting, as the case may be) at its sole discretion, non-marketable and non-transferable options (other than transfer to successors in the event of death, as set out in the Options Plan) that are exercisable for the Company's shares, in an amount to be instructed by the board of directors, as the case may be. The options are non-marketable and non-transferable. Each option will confer on the offeree the right to receive from the Company, by way of an allotment, one ordinary share of NIS 0.01 par value, at the exercise price to be determined for each offeree, and which will be at least the average share price in the 30 trading days prior to the board decision on the allotment and subject to certain adjustments set out in the Options Plan. The ordinary shares to be allotted following exercise of the options will have the same rights as the Company's ordinary shares, immediately upon their allotment. The exercise price is subject to certain adjustments (including in respect of distribution of dividends, issuance of rights, etc.).

In May 2018, the employee Options Plan was revised to an alternative for allotting restricted stock units (hereinafter – the "**RSUs**") and an amendment to the adjustment mechanism in the event of change of control. Each RSU will confer the right to receive from the Company, by way of an allotment and for no consideration, one ordinary share of NIS 0.01 par value of the Company. The RSUs will not confer on the holder any right conferred on a shareholder, prior to their exercise for shares of the Company, including a voting right, with the exception of the right to receive an amount equivalent to a dividend, should the Company decide to distribute a dividend.

The provisions of Section 102 to the Income Tax Ordinance apply to the allotted options. The allotment was made through a trustee in the capital gains track. In accordance with this track, the Company is not entitled to claim a tax deduction for amounts credited to an employee as a benefit, including amounts recorded as a salary benefit in the Company's financial statements, for the options received by the offeree under the plan, other than a yield benefit component, if any, determined on the allotment/grant date.

NOTE 18 - EMPLOYEE BENEFITS

B. Equity compensation plan in Israel (cont.)

Between 2017 and 2022, the Company allotted options and RSUs to offerees in several allotments in a capital gains track (with a trustee) in accordance with Section 102 of the Income Tax Ordinance, in four equal tranches, which are exercisable net (hereinafter – the "Offered Securities"). In accordance with this track, the Company is not entitled to claim a tax deduction for amounts credited to an offeree as a benefit, including amounts recorded as a salary benefit in the Company's financial statements, for the options received by the offeree under the plan, other than a yield benefit component, if any, determined on the allotment/grant date. The vesting terms and expiration dates of the offered securities are as follows:

Tranche No.	Vesting terms and conditions	Expiration date
Tranche One	At the end of 12 months from the grant date	At the end of 36 months from the vesting date
Tranche Two	At the end of 24 months from the grant date	At the end of 24 months from the vesting date
Tranche Three	At the end of 36 months from the grant date	At the end of 24 months from the vesting date
Tranche Four	At the end of 48 months from the grant date	At the end of 24 months from the vesting date

NOTE 18 - EMPLOYEE BENEFITS (cont.)

B. Equity compensation plan in Israel (cont.)

Following is information regarding allocation of offered securities in accordance with the option plan:

Offerees and allotment dates	Number of RSUs at grant date (in thousands)	No. of unvested RSUs as of December 31, 2022 (in thousands)	Fair value of each RSUs at award date (in NIS)*	No. of options at the grant date (in thousands)	No. of unvested options as of December 31, 2021 (in thousands)	No. of unvested options as of December 31, 2022 (in thousands)	Average fair value of each option at the grant date (in NIS)**	Weighted average of the share price on options' exercise dates in 2022	Exercise price per option (in NIS, unlinked)	Standard deviation***	Risk-free interest rate****
Officers, June 2018 (1)	242	-	18.52	1,166	318	46	3.80	39.67	18.41	21.41% - 20.93%	0.88% - 1.43%
Officer, May 2020 (1)	29	14	26.8	99	99	99	7.76	N/A	25.81	31.48%	0.36% - 0.58%
Officer, October 2020 (1)	11	-	35.24	29	29	14	12.98	N/A	30.28	36.65%	0.25% - 0.43%
Chairperson of the board, January 2021	-	N/A	N/A	367	367	367	13.07	N/A	32.78	38.80%	0.20% - 0.40%
CEO, April 2021	-	N/A	N/A	1,253	1,253	1,253	9.54	N/A	34.46	34.97%	0.35% - 0.59%
Officers, August 2021	-	N/A	N/A	663	663	663	8.23	N/A	30.24	34.59%	0.24% - 0.55%
Officers, January 2022 (1)	27	27	33.4	272	N/A	272	9.91	N/A	33.21	33.55% - 33.67%	0.47% - 0.75%
Employees, May 2022 (4)	-	N/A	N/A	1,649	N/A	1,649	10.42	N/A	36.60	33.11% - 33.53%	1.84% - 2.05%
Officer, September 2022	-	N/A	N/A	254	N/A	254	15.70	N/A	39.86	33.24% - 34.24%	2.93% - 2.94%

(*) The fair value of the RSU was estimated based on the price of the Company's shares as at the allotment date.
(**) The average fair value of each allotted option is estimated at the grant date using the Black-Scholes model.
(***) The standard deviation is calculated based on historical volatility of the Company's share over the expected life of the option until exercise date.
(****) The rate of the risk-free interest is based on the Fair Spread database and an expected life of 4 to 6 years.

NOTE 18 - EMPLOYEE BENEFITS (cont.)

B. Equity compensation plan in Israel (cont.)

(1) In the years ended December 31, 2022, 2021, and 2020, following the vesting of the RSUs, the Company issued 55 thousand, 55 thousand, and 45 thousand ordinary Company shares of NIS 0.01 par value. In addition, in the years ended December 31, 2022, 2021 and 2020, the Company issued 161 thousand, 161 thousand and 58 thousand ordinary Company shares of NIS 0.01 par value, respectively, following notices regarding the exercise of approx. 272 thousand, 303 thousand and 115 thousand options, respectively. The weighted average price per share on the exercise dates of the options was NIS 39.67, NIS 35.26, and NIS 32.90, respectively. Subsequent to the report date, in January 2023, due to the vesting of RSUs, the Company issued approximately 7 thousand ordinary shares of NIS 0.01 par value each of the Company.

In the year ended December 31, 2022, 15 thousand options and 5 thousand RSUs expired following the termination of a Company employee before the end of the vesting period.

(2) The value of the benefit for the allotment of securities in the years ended December 31, 2022, 2021 and 2020 is NIS 25 million, NIS 22 million, and NIS 2 million, respectively. This amount will be recorded in profit and loss over the vesting period of each tranche.

In the years ended December 31, 2022, 2021, and 2020, the Company recognized an expense in the amount of NIS 16 million, NIS 9 million, and NIS 3 million, respectively, in respect of the offered options and securities.

C. Profit-sharing plan for CPV Group employees

In April 2021, the CPV Group LP (hereinafter in this Note - the “Partnership”) approved an allocation of 6.5% of the profit participation rights in the Partnership for allocations to certain CPV Group employees and managers (hereinafter in this note - the “Offerees”) as part of long-term compensation (hereinafter - the “CPV Group’s Profit-Sharing Plan”). The Offerees’ participation rights relate to earnings and appreciation net of repayment of investment amounts to investors and subject to vesting periods that may be accelerated in certain cases, such as merger, sale of activities, and termination of employment under certain circumstances, etc. The deeds of allotment granted to the Offerees stipulate, among other things, events upon the occurrence of which the Partnership will buy the Offerees’ rights. Included in that stated above, subject to the vesting as, as stated, the Offerees are entitled to require the Partnership to acquire their rights on exercise dates that fall after three and five years from the grant date at the rates and under the conditions defined, and in certain cases of sale of rights in the Partnership by the Company (including a change in control). In addition, the Partnership is entitled to acquire rights of the Offerees under certain circumstances, such as conclusion of the transaction and passage of five years.

The fair value as at the Report date is estimated using an options pricing model (OPM) and is based on a standard deviation of 34%, a risk-free interest rate of 4.15% and an expected life of 3.25 years. During the reporting period, the expense was recorded in respect of a profit-sharing program for employees of the CPV Group, for a total of NIS 46 million (in 2021 - a total of NIS 50 million). As at the report date, the fair value of the participation rights that were awarded amounts to NIS 150 million (approx. USD 43 million).

NOTE 19 - TAXES ON INCOME

A. Information about the tax environment in which the Group operates

1. Corporate tax rate

<u>Israel</u>

The rate of corporate tax in Israel between 2020 and 2022 is 23%.

<u>USA</u>

The corporate tax rate applicable to the Group's US operations is composed of two main tax systems: (1) Federal corporate tax at a rate of 21% and (2) state tax, depending on the state where the operations are carried out, of between 4% and 11.5%, while the state tax rate constitutes an expense for calculation of the federal tax.

The profits (losses) of associates and joint ventures which are not assesses are indirectly attributed to the partnership OPC Power (directly held by the ICG Energy) based on their share in equity. Profits (losses) of the OPC Power are attributed directly to the partners in accordance with their share in the equity, since according to US tax laws, a partnership and LLC through which the Group operates in the USA are not assesses. Therefore, ICG Energy will be attributed the profits (losses) of OPC Power, in which it serves as a limited partner. ICG Energy will be liable to tax in the USA in respect of such profits attributed to it; the tax will be determined in accordance with the federal corporate tax rate and the state tax rate, that constitutes, as aforesaid, an expense for the purpose of calculating the federal tax.

The US tax laws include a limit on financing expenses that may be deducted. The expense limit was 30% of the adjusted taxable income (hereinafter - "ATI"), while in 2018 to 2021, the ATI calculation was based on the Company's EBITDA, whereas from the 2022 tax year onwards, it is based on EBIT (excluding depreciation and amortization). Furthermore, offsetting of operating losses (NOL) is limited: in general, losses accrued up to 2018, it may be carried forward for up to 20 years, without any limit to the offset amount in a specific year. However, losses accrued thereafter are subject to a time limit, but may be generally used to offset up to 80% of the taxable income only.

In addition, the tax system in the US grants various tax benefits to investors in renewable energy projects, including under the Inflation Reduction Act of 2022 ("IRA"):

- Bonus Depreciation - accelerated depreciation at a rate of up to 100%. It should be noted that also in the project acquisition procedure, this depreciation may be recognized on the acquisition date.
- Investment Tax Credit ("ITC") - A tax credit of up to 30% of the amount invested in solar projects, and another credit equal to up to 10% of the construction costs of projects that integrate equipment manufactured in the USA or constructed at certain sites ("Brownfield Sites").
- Production Tax Credit ("PTC") - A tax credit in respect of income from the sale of electricity generated by renewable energy facilities.

According to the provisions of the IRA, ITC and PTC benefits can be traded or offset in future against future profits.

According to the provisions of the tax treaty between Israel and the US, interest payments are subject to withholding tax of 17.5%, and dividend payments are subject to withholding tax of 12.5%. It should be noted that in Israel, credit is awarded according to Israeli tax laws.

NOTE 19 - TAXES ON INCOME

2. Benefits under the Law for Encouragement of Industry (Taxes), 1969 (hereinafter – the "Encouragement of Industry Law")

The industrial plants owned by some of the Company's consolidated companies in Israel have a single production line, and as such, these companies, together with the consolidated subsidiary that holds these companies (parent company), are entitled to file a consolidated tax report under Section 23 of the Encouragement of Industry Law. Pursuant to Section 24 of said Law, the taxable income or loss of each of the said companies which own the industrial plants shall be regarded as taxable income or as a loss of the parent company holding these companies.

"Industrial Companies" as defined in the Encouragement of Industry Law are entitled to tax benefits, mainly:

(a) Depreciation for tax purposes at increased rates.
(b) Deduction of tax-deductible expenses for the issue of shares listed on the stock exchange at three equal annual rates as from the year the shares were listed.
(c) Amortization over 8 years, for tax purposes, of patents and know-how used in the development of the plant.
(D) The option of submitted consolidated tax statements of companies with a single production line.

NOTE 19 - TAXES ON INCOME (cont.)

B. Tax assessments

The Company has tax assessments that are considered final up to and including the 2018 tax year (subject to reservations stipulated in the law). The other Israeli Group companies have tax assessments that are considered final up to and including the 2017 tax year (subject to reservations stipulated in the law).

ICG Energy is subject to taxation in several US jurisdictions. Tax year 2018 and all periods thereafter are open for assessment by US federal and state tax authorities.

C. Components of income (expenses) for income tax

	For the year ended December 31		
	2022	2021	2020
	NIS million	NIS million	NIS million
Current tax expenses:	**4**	(1)	-
Deferred taxes expenses (income):			
Deferred taxes	**64**	(75)	13
Deferred taxes for previous years	**(3)**	(1)	(1)
	61	(76)	12
Taxes on income (tax benefit):	**65**	(77)	12

D. Adjustments between theoretical tax on income before taxes and tax expenses:

	For the year ended December 31		
	2022	2021	2020
	NIS million	NIS million	NIS million
Income (loss) before taxes on income	**282**	(380)	(34)
Statutory tax rate of the Company	**23%**	23%	23%
Tax (tax saving) calculated at the statutory tax rate of the Company	**65**	(88)	(8)
Additional tax (savings) for:			
Non-controlling interests' share in losses of tax transparent entities	**(4)**	18	-
Losses for tax purposes and other tax benefits for which deferred taxes were not recorded	**1**	1	21
Effect of the creation of deferred taxes at a tax rate that is different from the main tax rate	**5**	(7)	-
Taxes for previous years	**(2)**	(1)	(1)
Expenses for taxes on income (tax benefit)	**65**	(77)	12

E. Taxes on income for other comprehensive income and equity items

In the years ended on December 31, 2022 and 2021, the Company recorded tax expenses in the statement of comprehensive income in the amount of NIS 24 million and NIS 10 million, respectively, for items of other comprehensive income.

NOTE 19 - TAXES ON INCOME (cont.)

F. Deferred tax assets and liabilities

(1) Deferred tax assets and liabilities recognized in the financial statements

Deferred taxes are calculated at the tax rate that is expected to apply on the reverse date.

Movement in deferred tax assets and liabilities attributable to the following items:

Balance of deferred tax asset (liability)	As of December 31, 2021	Carried to income and loss	Carried to other comprehensive income	Effect of changes in exchange rates	As of December 31, 2022
			NIS million		
Property, plant & equipment	(393)	(68)	-	(3)	(464)
Carryforward losses and deductions for tax purposes	349	27	-	32	408
Intangible assets	(24)	1	-	(3)	(26)
Investments in associates	(207)	(28)	(15)	(30)	(280)
Tax benefits in the United States	7	-	-	1	8
Financial instruments	4	(1)	(9)	-	(6)
Other	24	8	-	3	35
	(240)	(61)	(24)	-	(325)

Balance of deferred tax asset (liability)	As of December 31, 2020	Carried to income and loss	Carried to other comprehensive income	Business combinations	Effect of changes in exchange rates	As of December 31, 2021
			NIS million			
Property, plant & equipment	(305)	(76)	-	(13)	1	(393)
Carryforward losses and deductions for tax purposes	5	344	-	9	(9)	349
Intangible assets	-	(35)	-	10	1	(24)
Investments in associates	-	(169)	(9)	(37)	8	(207)
Tax benefits in the United States	-	-	-	7	-	7
Financial instruments	6	-	(1)	(1)	-	4
Other	11	12	-	2	(1)	24
	(283)	76	(10)	(23)	-	(240)

(2) Deferred taxes are recognized in the statement of financial position as follows:

	As of December 31,	
	2022	2021
	NIS million	NIS million
Under non-current assets	**22**	59
Under non-current liabilities	**(347)**	(299)
Deferred tax assets, net	**(325)**	(240)

NOTE 19 - TAXES ON INCOME (cont.)

F. Deferred tax assets and liabilities (cont.)

(3) Carryforward losses for which deferred tax assets were not recognized:

	As at December 31	
	2022	2021
	NIS million	NIS million
Losses for tax purposes	**542**	522
	542	522

According to Israeli tax laws, there is no time limitation on the utilization of losses for tax purposes and on the utilization of deductible temporary differences. Deferred tax assets have not been recognized for these items, since it is not probable that there will be future taxable income against which the tax benefits can be utilized.

In the US, as of December 31, 2022, the Group has loss carryforwards for which no deferred taxes have been created, as detailed below:

- Operating losses (NOL) for tax purposes of NIS 380 million (USD 108 million), which may be offset for tax purposes in the United States against future profits, subject to complying with the conditions of the law, some of which are not under the Company's control and, therefore, the Company did not recognize deferred tax assets in respect thereof. These losses will expire in 2027-2037.

- NIS 6 million (USD 2 million) in tax credits, offsetable for tax purposes in the US against future profits in the US, are subject to complying with the conditions of the law, some of which are not under the Company's control and, therefore, the Company did not recognize deferred tax assets. These losses will expire in 2027-2037.

(4) Total estimated losses

As at December 31, 2022, the Group has total estimated losses of NIS 2.3 billion according to the following breakdown:

- Israel - Total of NIS 786 million (for NIS 156 million of which no deferred such tax assets were recognized).

- USA - Total of NIS 1,538 million at federal level (for NIS 386 million of which no deferred tax assets were recognized) and a total of NIS 361 million of losses at state level only (in respect of which deferred tax assets were recognized).

NOTE 20 - EQUITY

A. Composition

No. of shares	As of December 31, 2022		As of December 31, 2021	
	Authorized	**Issued and paid up**	Authorized	Issued and paid up
Ordinary shares of NIS 0.01 par value	**500,000,000**	**224,415,769**	500,000,000	202,255,647

B. Share issuances

Transaction date	Transaction type	Scope of the transaction	Transaction consideration (in NIS million)	Issuance costs (in NIS million)
February 2021 (1)	Shares issuance	10,300,000 shares	350	4
September 2021 (2)	Shares issuance	13,141,040 shares	328.5	0.5
July 2022 (3)	Shares issuance	9,443,800 shares	330.5	9
September 2022 (4)	Shares issuance	12,500,000 shares	500	6

(1) It should be noted that the issuance was made to an interested party in the Company on the offering date.

(2) The Company issued rights to purchase 13,174,419 ordinary Company shares, of which notices of exercise were received for the purchase of 13,141,040 ordinary Company shares. It should be noted that the Parent Company exercised the rights it was entitled to purchase as part of the issuance of rights.

(3) The issuance was by way of a uniform offering with a range of quantities, in a tender on the price per unit and the quantity. It should be noted that the Parent Company submitted subscriptions as part of the tender, and was issued with 3,898,000 ordinary shares of the Company as part of the issuance.

(4) An issuance for qualified investors, including Migdal Insurance and Financial Holdings Ltd., The Phoenix Insurance Company Ltd. (including entities under their management), and entities managed by Altshuler Shaham Ltd. (each of which are interested parties in the Company on the offering date by virtue of holdings, and also substantial shareholders).

For information about the changes in the Company's capital arising from an equity compensation plan in Israel, see Note 18B.

C. Dividend

In the years ended December 31, 2021 and 2022, the Company did not distribute dividends. As of December 31, 2022, the Company has no balance of distributable earnings.

NOTE 20 – EQUITY (cont.)

C. Dividend (cont.)

In July 2017, the Company's Board of Directors decided to adopt a dividend distribution policy, whereby in every calendar year, a dividend will be distributed to the shareholders; the dividend will be equal to at least 50% of the Company's after-tax net income in the calendar year preceding the dividend distribution date. Implementation of the dividend distribution policy and approval of the distribution from time to time by the Company's board of directors is subject to the provisions of any law, including the distribution tests set out in Section 302 of the Companies Law, 1999 (the profit test and the solvency test), restrictions imposed by agreements to which the Company is a party, present or future covenants or financial covenants undertaken by the Company, tax considerations, investments required in the Company's projects (present or future), and additional restrictions that may apply to the Company, if any, and decisions that the Company is permitted to make, including a different designation of its profits and an amendment to this policy.

For the avoidance of doubt, the Company's Board of Directors will be permitted at any time, taking into account business considerations and in accordance with the law, to change the above-mentioned dividend rate or to decide to refrain from any distribution, such as was the case as of the date of the report, taking into account the Company's business needs, the market conditions in the environment in which the Company operates, and specifically its strategic plans to expand its activity, all at the discretion of the Board of Directors.

NOTE 21 - DATA ON INCOME STATEMENT ITEMS

A. Revenues

	For the year ended December 31		
	2022	2021	2020
	NIS million	NIS million	NIS million
Revenues from sale of electricity in Israel:			
Revenues from the sale of energy to private customers	**1,212**	966	943
Revenues from energy sales to the System Operator and other suppliers	**107**	91	89
Revenues from sale of steam in Israel	**62**	57	56
Other income in Israel	**39**	-	-
Total revenues from sale of energy and others in Israel (excluding infrastructure services)	**1,420**	1,114	1,088
Revenues from private customers for infrastructure services	**315**	298	274
Total income in Israel	**1,735**	1,412	1,362
Revenues from the sale of electricity from renewable energy in the USA	**87**	82	-
Revenues from provision of services in the US	**105**	81	-
Total revenues in the USA	**192**	163	-
Total income	**1,927**	1,575	1,362

Below is information about the total sales of the Group to material customers and the rate out of the total revenue of the Company (in NIS million):

	For the year ended December 31					
Customer	2022		2021		2020	
	Total income	% of the Company's revenue	Total income	% of the Company's revenue	Total income	% of the Company's revenue
Customer 1	360	18.7%	303	19.2%	299	22.5%
Customer 2 (1)	247	12.8%	229	14.5%	257	19.4%

(1) Bazan Group, which is a related party. For further information – see Note 24.

NOTE 21 - DATA ON INCOME STATEMENT ITEMS (cont.)

B. Cost of sales (less depreciation and amortization)

	For the year ended December 31		
	2022	**2021**	**2020**
	NIS million	**NIS million**	**NIS million**
Israel			
Natural gas and others (*)	**526**	495	504
Energy acquisition expenses	**332**	133	160
Salaries and related expenses	**42**	27	25
Manufacturing and operating expenses and outside contractors	**34**	33	31
Other expenses	**45**	21	16
Total cost of sales in Israel (excluding the cost of infrastructure services)	**979**	709	736
Infrastructure services expenses	**315**	298	274
Total cost of sales in Israel	**1,294**	1,007	1,010
USA			
Cost of sales in respect of revenues from the sale of electricity in the USA	**30**	26	-
Cost of sales in respect of services rendered in the USA	**80**	53	-
Total cost of sales in the USA	**110**	79	-
Total cost of sales	**1,404**	1,086	1,010

(*) After deducting third-party participation costs.

NOTE 21 - DATA ON INCOME STATEMENT ITEMS (cont.)

C. General and administrative expenses

	For the year ended December 31		
	2022	2021	2020
	NIS million	NIS million	NIS million
Salaries and related expenses	**90**	51	22
Directors' fees	**5**	4	2
Professional services	**37**	32	10
Depreciation	**10**	8	3
Office maintenance	**15**	10	3
Other	**20**	14	7
	170	119	47
Share-based payment expenses	**62**	58	3
Total general and administrative expenses	**239**	177	50

D. Business development expenses

	For the year ended December 31		
	2022	2021	2020
	NIS million	NIS million	NIS million
Business development in Israel	**12**	5	9
Business development in the USA (mainly in renewable energies)	**38**	22	-
	50	27	9

NOTE 21 - DATA ON INCOME STATEMENT ITEMS (cont.)

E. Finance income and expenses

	For the year ended December 31		
	2022	2021	2020
	NIS million	NIS million	NIS million
Finance income			
Exchange differences from revaluation of inter-company loans*	**79**	-	-
Other exchange rate differentials	**17**	-	-
Net change in fair value of derivative financial instruments	**-**	1	-
Amounts reclassified to profit and loss from a hedge reserve and cost of hedge reserve for cash flow hedging	**14**	7	-
Interest income from bank and other deposits	**10**	1	1
	120	9	1
Finance expenses			
Exchange rate differences	**-**	19	17
Interest expenses for debentures	**75**	38	17
Interest expenses for loans from banks and financial institutions	**64**	117	67
Interest expense for loans from non-controlling interests	**21**	13	-
Amounts reclassified to profit and loss from a hedge reserve and cost of hedge reserve for cash flow hedging	**-**	-	22
Interest expenses for lease liabilities	**2**	2	1
Net change in fair value of derivative financial instruments	**1**	-	4
Fees and others	**4**	5	4
	167	194	132
Loss from disposal of financial liabilities, net**	**-**	272	41
Finance expenses, net, recognized in the statement of income	**47*** **	457	172

(*) In respect of provision of NIS-denominated loans to a wholly owned subsidiary which is a foreign operation and whose functional currency is the US dollar. In the fourth quarter of 2022, in view of a change in the Company's assessments regarding the likelihood of repayment of the said loans in the foreseeable future, they were classified as part of net investment in foreign operation. For information regarding accounting policy in connection with loans extended to foreign operation, see Note 3C2.

(**) In October 2021, early repayment of the full outstanding balance of Rotem's project financing in the amount of NIS 1,292 million (including an early repayment fee) was completed, a debt service reserve and additional restricted cash in Rotem in the amount of NIS 125 million were released and guarantees related to the Rotem Financing Agreement were canceled. In respect of the said repayment, Rotem recognized a one-off expense in respect of an early repayment fee, totaling NIS 244 million (approximately NIS 188 million, net of tax) in the loss on settlement of financial liabilities, net item.

In April 2021, the CPV Group signed an agreement for the purchase of A rights in Keenan from the tax equity partner in consideration for NIS 82 million (USD 25 million). As part of the said purchase, the outstanding financial liability to the tax equity partner was repurchased at the total amount of NIS 44 million (USD 13 million), and the subsidiary's tax status was changed. As a result, a NIS 39 million (USD 12 million) loss was recognized in the line item "loss on settlement of financial liabilities, net".

In 2021, Keenan repaid a previous financing agreement, the outstanding balance of which, as at the maturity date was NIS 207 million. Similarly, in view of the repayment of Keenan's previous financing, in 2021, the Group recognized a NIS 11 million (USD 3 million) profit from repayment of financial liabilities, net, in the income statement.

(***) Include CPI linkage differences due to bonds and CPI Linked loans in amount of NIS 74 million.

NOTE 22 - EARNINGS (LOSS) PER SHARE

Information used in the calculation of the basic and diluted earnings (loss) per share:

A. Earnings (loss) attributable to holders of ordinary shares

	For the year ended December 31		
	2022	**2021**	**2020**
	NIS million	**NIS million**	**NIS million**
Profit (loss) for the year attributable to shareholders of the Company	**167**	(219)	(61)

B. Weighted average number of ordinary shares

Weighted average number of shares used for the basic calculation	For the year ended December 31		
In thousands of shares of NIS 0.01 par value	**2022**	**2021**	**2020**
Balance as at January 1	**202,256**	178,370	143,360
Effect of shares issued in the year	**7,903**	12,548	7,359
Effect of options exercised for shares	**57**	150	26
Effect of RSUs	**73**	102	133
Weighted average number of shares used for the basic calculation	**210,289**	191,170	150,878
Effect of future exercise of options	**4,057**	*-	*-
Weighted average number of shares used for the diluted calculation	**214,346**	191,170	150,878

(*) In the years ended December 31, 2021, and 2020, the number of shares arising from the future exercise of options amounted to 2,427 thousand and 1,615 thousand shares with a par value of NIS 0.01, respectively.

Since during those years the Company has had a loss, the effect of the future exercise of the options is anti-dilutive.

NOTE 23 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

A. Financial risk management

1. General

The Group has operations that expose it to credit, liquidity risks and market risks (currency, interest rate, CPI, and other market price risks). To reduce exposure to these risks, the Group takes various measures, particularly the use of derivative financial instruments, including forward transactions (mainly on foreign currency), index swap transactions, interest rate swap transactions, and in associates held by CPV Group - future transactions to hedge energy margins.

2. Credit risk

Credit risk is the risk of financial loss incurred by the Group if a customer or counterparty to a financial instrument fails to meet its contractual liabilities. The Group's main exposure to credit risk is in respect of the following assets:

Customers

The Group's management regularly examines the exposure to credit risk in respect of customer debts and analyzes their financial strength in order to determine the nature and scope of collateral required in the different sale transactions.

Most of the Group's customers have strong financial robustness, therefore sales to them are made without any collateral. In exceptional cases that are considered high risk, in the opinion of the Group companies, they receive adequate collateral to reduce the risks arising from the provision of credit to customers.

Cash and cash equivalents and short- and long-term deposits (including restricted balances)

The Group's cash and cash equivalents and deposits are deposited mainly in banks, with attention to their financial strength. Therefore, in the Group's estimation, no significant credit risk is expected in respect of them.

Derivative financial instruments

Derivative transactions are generally made with banks, with attention to the financial strength of these entities. Therefore, in the Group's estimation, no significant credit risk is expected in respect of them.

3. Liquidity risk

Liquidity risk is the risk that the Group companies will not be able to meet with their financial liabilities when they are due. The Group's approach to liquidity risk management is to ensure, to the extent possible, a sufficient liquidity level to meet its liabilities in a timely manner.

For the purpose of management of the Group's liquidity, a mix of short and long term financing tools are used, with attention to adjustment of the scope and duration of the long term liabilities, as well as the financial covenants applicable to the Company and the nature and scope of its business operations.

The short-term financing tool includes mainly secured credit facilities from banks and financial institutions. The long term financing tool includes mainly long term loans from banks and financial institutions and debentures. For further information – see Notes 16, 17 and 25D.

In addition to the abovementioned financing tools, the Company raises capital, from time to time, according to its needs, by issuing financial instruments.

4. Market risks

Market risks is the risk that changes in market prices, such as the electricity margins, foreign currency exchange rates, inflation, and interest rates, will affect the fair value or future cash flows of a financial instrument.

The Company uses derivative financial instruments as part of the market risk management policy.

NOTE 23 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont.)

A. Financial risk management (cont.)

5. Currency risk

The functional currency of the Company and its subsidiaries in Israel is the NIS and the functional currency of CPV Group is the USD. Therefore, the exposure of the Group companies in Israel is measured in relation to exchange rate changes of the NIS in relation to other currencies in which they operate. CPV Group enters into agreements mainly in the USD and therefore, it is not materially exposed to currency risk.

As part of its activity in Israel, the Company is exposed to changes in the exchange rate of the dollar, both indirectly and directly, due to the natural gas purchases, some of which are linked to the exchange rate of the dollar and/or denominated in dollars and are linked to the generation tariff and include floor prices in USD and on the other hand, due to the linkage of a substantial portion of its revenues to the generation tariff (which is partly affected by changes in the exchange rate of the dollar). Therefore, even though an increase in the exchange rate of the dollar increases the cost of natural gas purchased by the Company, the structure of revenues includes partial natural defenses that mitigate the said exposure. However, it should be noted that generally the generation component is revised once a year, and accordingly, there may be timing differences between the effect of the increase in the exchange rate of the dollar on the current cost of gas, and its effect on the Company’s gross margin.

Furthermore, from time to time the Company enters into significant construction and maintenance contracts in various currencies, specifically the dollar and the euro.

The Group companies in Israel also partially hedge the exposure to changes in the cash flows from payments in foreign currency (mainly USD and EUR) in respect of EPC and LTSA agreements using forward transactions. As at the report date, Zomet uses futures to hedge its exposure to changes in the cash flows from payments in USD for the Zomet Power Plant construction agreement. These contracts will be designated as hedged for the purpose of application of cash flow hedge accounting principles.

In relation to the Company’s investment in CPV Group, which operates in the USA, and whose functional currency is the dollar, generally, a decrease in the exchange rate of the dollar may adversely affect the value of the Company’s dollar-denominated investment, and the Company's net income and equity. On the other hand, in view of the need to raise NIS-denominated sources in Israel to fund the expected investments in CPV Group’s backlog of projects under construction and development, an increase in the exchange rate of the dollar may lead to an increase in the financing required to implement those investments.

6. CPI risk

The Group’s companies in Israel are exposed to CPI risk mainly in respect of the linkage of a substantial part of its revenues to the generation tariff (which is partially affected by changes in the CPI). On the other hand, the purchases of natural gas are linked to the generation tariff and include a dollar floor price.

Furthermore, some of the Company’s capital costs and investments are linked to the CPI, whether directly or indirectly.

Therefore, even though an increase in the CPI increases the Company’s costs and investments, the structure of revenues includes certain natural defenses that mitigate the said exposure.

Furthermore, Debentures (Series B) and some long-term bank loans are CPI-linked. To reduce part of the exposure to CPI changes in respect of Hadera’s loans, in June 2019 the Group contracted with a bank in transactions to hedge part of the CPI exposure. These contracts will be designated as hedged for the purpose of application of cash flow hedge accounting principles.

NOTE 23 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont.)

A. Financial risk management (cont.)

7. Interest rate risk

To reduce the exposure to interest rate changes in Israel (mainly Prime), the Group uses a mix of loans (including credit facilities) and debentures in a way that some of the loans and debentures are at fixed interest rates and others at variable interest rates.

Most of CPV Group's long-term loans and credit facilities (including through associates) bear a variable interest rate (mainly LIBOR) and in terms of cash flow, are exposed to interest rate changes. To reduce part of the exposure to interest rate risk, CPV Group enters into USD-denominated interest rate swap transactions to exchange variable USD interest rates for fixed USD interest rates in respect of part of the long term loans. These transactions are designated as hedged for the purpose of application of cash flow hedge accounting principles.

8. Other market price risks - electricity margins

CPV Group (including through associates) uses various hedges to hedge some of the power plants' capacity; the portion of capacity being hedged changes from one project to another; these hedges are used in order to hedge against volatility in electricity prices for short periods (mainly one year). The aim of using the hedges is set the energy margin (the margin between the price of electricity received and the price of gas paid) through gas and electricity price commodity contracts. Some of these transactions are designated as hedged for the purpose of application of cash flow hedge accounting principles.

In addition, Fairview, Maryland, and Valley entered into economic hedging agreements on the electricity margins of the revenue put option (hereinafter - "RPO") type. The RPO is intended to provide the companies a minimum margin from the sale of electricity on the market for the duration of the agreement. The RPO periods are until May 31, 2025 for Fairview, until February 28, 2022 for Maryland and until May 31, 2023 for Valley.

In addition, in the renewable energies area, the CPV Group enters long term PPAs as well as RECs to partially mitigate its exposure to changes in electricity margins on the market.

B. Financial instruments

1. Credit risk

a. The carrying amount of the following financial assets represents the maximum credit exposure without taking into account the value of collateral or other credit enhancements in respect thereof: cash and cash equivalents, deposits (including restricted and long-term), trade and other receivables (including long-term), and derivative financial instruments.

b. Maximum exposure to credit risk in respect of trade receivables

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at the reporting date was as follows:

	As of December 31,	
	2022	**2021**
	NIS million	**NIS million**
Trade receivables in Israel	**236**	176
Trade receivables in the USA	**24**	18
	260	194

NOTE 23 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont.)

C. Aging of debts and losses from impairment of trade receivables

As of December 31, 2022, and 2021, trade receivables arise from trade receivables not in arrears.

For information about credit risk management, see above.

2. Liquidity risk

Below are the contractual maturity dates of the financial liabilities at non-discounted values, including expected interest payments (according to the interest rates prevailing on the reporting date):

		As of December 31, 2022				
	Carrying amount	Contractual amount	12 months or less	One to two years	2-5 years	More than 5 years
	NIS million					
Non-derivative financial liabilities						
Trade payables	**335**	**335**	**335**	**-**	**-**	**-**
Payables and credit balances	**37**	**37**	**37**	**-**	**-**	**-**
Loans from holders of non-controlling interests (including interest payable)	**437**	**565**	**16**	**51**	**91**	**407**
Debentures (including interest payable)	**1,854**	**2,073**	**79**	**234**	**788**	**972**
Lease liability (including interest payable)	**130**	**164**	**63**	**10**	**23**	**68**
Loans from banks and financial institutions (including interest payable)	**1,817**	**2,229**	**140**	**211**	**515**	**1,363**
Total financial liabilities	**4,610**	**5,403**	**670**	**506**	**1,417**	**2,810**

		As of December 31, 2021				
	Carrying amount	Contractual amount	12 months or less	One to two years	2-5 years	More than 5 years
	NIS million					
Non-derivative financial liabilities						
Trade payables	468	468	468	-	-	-
Payables and credit balances	28	28	28	-	-	-
Loans from holders of non-controlling interests (including interest payable)	434	554	35	81	129	309
Debentures (including interest payable)	1,824	2,083	66	76	735	1,206
Lease liability (including interest payable)	103	120	61	8	19	32
Loans from banks and financial institutions (including interest payable)	1,520	1,849	103	139	425	1,182
Financial liabilities - derivative instruments						
Forwards on exchange rates used for hedging	16	19	19	-	-	-
Other forwards on exchange rates	4	6	6	-	-	-
Total financial liabilities	4,397	5,127	786	304	1,308	2,729

In respect of certain liabilities, particularly to banks, and debentures, the Company is subject to financial covenants (for further information, see Notes 16B5 and 17B). Non-compliance with the financial covenants may lead to redemption of the liabilities earlier than showed in the above table. Actual interest payments in respect of liabilities at variable interest rates may be different to the amounts shown in the above table.

NOTE 23 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont.)

C. Aging of debts and losses from impairment of trade receivables (cont.)

3. Market risk

CPI and currency risks

The Group's exposure to CPI and foreign exchange risks, excluding derivative financial instruments (see below), is as follows:

	NIS		Foreign currency			
	CPI-linked	Non-linked	USD	EUR	Other	Total
	NIS million					
December 31, 2022						
Assets						
Cash and cash equivalents	**-**	**580**	**268**	**1**	**-**	**849**
Short-term restricted deposits and cash	**-**	**178**	**36**	**-**	**-**	**214**
Trade and other receivables	**-**	**240**	**183**	**-**	**-**	**423**
Total financial assets	**-**	**998**	**487**	**1**	**-**	**1,486**
Liabilities						
Trade payables	**-**	**(129)**	**(154)**	**(51)**	**(1)**	**(335)**
Payables and credit balances	**-**	**(21)**	**(16)**	**-**	**-**	**(37)**
Debentures	**(1,003)**	**(851)**	**-**	**-**	**-**	**(1,854)**
Lease liabilities	**(19)**	**(52)**	**(59)**	**-**	**-**	**(130)**
Loans from non-controlling interests	**-**	**(151)**	**(286)**	**-**	**-**	**(437)**
Loans from banks and financial institutions	**(454)**	**(1,053)**	**(310)**	**-**	**-**	**(1,817)**
Total financial liabilities	**(1,476)**	**(2,257)**	**(825)**	**(51)**	**(1)**	**(4,610)**
Total financial instruments	**(1,476)**	**(1,259)**	**(338)**	**(50)**	**(1)**	**(3,124)**

	NIS		Foreign currency			
	CPI-linked	Non-linked	USD	EUR	Other	Total
	NIS million					
December 31, 2021						
Assets						
Cash and cash equivalents	-	496	235	-	-	731
Short-term restricted deposits and cash	-	68	26	-	-	94
Trade and other receivables	-	181	85	-	-	266
Total financial assets	-	745	346	-	-	1,091
Liabilities						
Trade payables	-	(186)	(203)	(72)	(7)	(468)
Payables and credit balances	-	(20)	(8)	-	-	(28)
Debentures	(976)	(848)	-	-	-	(1,824)
Lease liabilities	(22)	(52)	(29)	-	-	(103)
Loans from non-controlling interests	-	(233)	(201)	-	-	(434)
Loans from banks and financial institutions	(454)	(761)	(305)	-	-	(1,520)
Total financial liabilities	(1,452)	(2,100)	(746)	(72)	(7)	(4,377)
Total financial instruments	(1,452)	(1,355)	(400)	(72)	(7)	(3,286)

NOTE 23 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont.)

C. Aging of debts and losses from impairment of trade receivables (cont.)

3. Market risk (cont.)

CPI and currency risks (cont.)

The Group's exposure to risk for foreign currency derivative financial instruments not used for hedging is as follows:

	As of December 31, 2021					
In NIS million	**Currency / linkage receivable**	**Currency / linkage payable**	**Amount receivable**	**Amount payable**	**Expiration date**	**Fair value**
Forwards on exchange rates	USD	NIS	10	30	2022	-
Forwards on exchange rates	EUR	NIS	15	58	2022	(4)
Foreign currency call options	USD	NIS	55	209	2022	-

The Group's exposure to risk for foreign currency derivative financial instruments used for hedging is as follows:

	As of December 31, 2022					
In NIS million	**Currency / linkage receivable**	**Currency / linkage payable**	**Amount receivable**	**Amount payable**	**Expiration date**	**Fair value**
Forwards on exchange rates	USD	NIS	**20**	**67**	**2023**	**2**

	As of December 31, 2021					
In NIS million	**Currency / linkage receivable**	**Currency / linkage payable**	**Amount receivable**	**Amount payable**	**Expiration date**	**Fair value**
Forwards on exchange rates	USD	NIS	104	340	2022-2023	(16)

NOTE 23 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont.)

C. Aging of debts and losses from impairment of trade receivables (cont.)

3. Market risk (cont.)

CPI and currency risks (cont.)

The Group's exposure to CPI risk for derivative financial instruments used for hedging is as follows:

	As of December 31, 2022				
	Linkage receivable	Interest payable	Expiration date	Amount of the linked reserve	Fair value
				NIS million	
CPI swap contracts	CPI	1.76%	**2036**	**315**	**33**

	As of December 31, 2021				
	Linkage receivable	Interest payable	Expiration date	Amount of the linked reserve	Fair value
				NIS million	
CPI swap contracts	CPI	1.76%	2036	335	23

CPI swap contract to hedge up to 70% of the exposure to the CPI in respect of the principal of the loans of Hadera, in exchange for payment of additional interest at an annual rate of between 1.76%. The Group will designate this transaction to cash flow hedge accounting.

NOTE 23 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont.)

C. Aging of debts and losses from impairment of trade receivables (cont.)

3. Market risk (cont.)

CPI and currency risks (cont.)

Currency sensitivity analyses:

Appreciation (depreciation) of the NIS by a rate of 5% or 10% against the following currencies would have increased (decreased) the comprehensive income or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain fixed. The analysis for 2021 is performed on the same basis.

	As of December 31, 2022			
	Effect on total comprehensive income (loss) and capital			
	10% decrease	5% decrease	5% increase	10% increase
	NIS million	NIS million	NIS million	NIS million
Non-derivative instruments				
USD/NIS	**26**	**13**	**(13)**	**(26)**
Non-derivative instruments				
EUR/NIS	**4**	**2**	**(2)**	**(4)**
Derivative instruments				
USD/NIS	**(5)**	**(3)**	**3**	**5**

	As of December 31, 2021			
	Effect on total comprehensive income (loss) and capital			
	10% decrease	5% decrease	5% increase	10% increase
	NIS million	NIS million	NIS million	NIS million
Non-derivative instruments				
USD/NIS	31	15	(15)	(31)
Non-derivative instruments				
EUR/NIS	6	3	(3)	(6)
Derivative instruments				
USD/NIS	(24)	(12)	12	24

NOTE 23 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont.)

C. Aging of debts and losses from impairment of trade receivables (cont.)

3. Market risk (cont.)

CPI and currency risks (cont.)

Index sensitivity analyses:

A change of 1% or 2% in the CPI would have increased (decreased) the comprehensive profit or loss in the amounts presented below. The analysis below is based on index changes that the Group believes are reasonably feasible as at the end of the Reporting Period. The analysis is based on the assumption that all the other variables, particularly interest rates, remain fixed and do not take into account any expected sales and purchases. The analysis for 2021 is performed on the same basis.

	As of December 31, 2022			
	Effect on total comprehensive income (loss) and capital			
	2% decrease	1% decrease	1% increase	2% increase
	NIS million			
Long-term loans (CPI)	**7**	**4**	**(4)**	**(7)**
Debentures (CPI)	**20**	**10**	**(10)**	**(20)**
CPI swap contracts	**(5)**	**(2)**	**2**	**5**

	As of December 31, 2021			
	Effect on total comprehensive income (loss) and capital			
	2% decrease	1% decrease	1% increase	2% increase
	NIS million			
Long-term loans (CPI)	7	4	(4)	(7)
Debentures (CPI)	18	10	(10)	(19)
CPI swap contracts	(6)	(3)	3	6

NOTE 23 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont.)

C. Aging of debts and losses from impairment of trade receivables (cont.)

3. Market risk (cont.)

Interest and CPI risk

Below is a breakdown of the types of interest of the Group's interest-bearing financial instruments as at the end of the Reporting Period, based on the Group management reports:

Fixed interest instruments linked to the CPI:

	As of December 31,	
	2022	2021
	NIS million	NIS million
Financial assets	-	-
Financial liabilities (*)	1,451	1,424
	(1,451)	(1,424)

Fixed interest instruments not linked to the CPI:

	As of December 31,	
	2022	2021
	NIS million	NIS million
Financial assets	719	50
Financial liabilities	1,497	1,504
	(778)	(1,454)

(*) Of which NIS 315 million was hedged through a CPI swap transaction.

Fair value sensitivity analysis for fixed interest instruments:

The Group's fixed interest financial instruments are not measured at fair value through profit and loss, therefore changes in interest rates as at Reporting Date are not expected to have any effect on profit and loss.

Variable interest instruments:

	As of December 31,	
	2022	2021
	NIS million	NIS million
Financial assets	17	172
Financial liabilities (**)	1,143	833
	(1,126)	(661)

(**) Of which NIS 219 million was hedged through an interest rate swap transaction. See Note 16A.

NOTE 23 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont.)

C. Aging of debts and losses from impairment of trade receivables (cont.)

3. Market risk (cont.)

Interest rate and CPI risk (cont.)

A change of 0.5%-1.5% in the LIBOR interest rate would have increased (decreased) the comprehensive profit or loss in the amounts presented below. The analysis below is based on LIBOR rate changes that the Group believes are reasonably feasible as at the end of the Reporting Period. The analysis is based on the assumption that all other variables, in particular foreign exchange rates, remained constant. The analysis is based on the assumption that all other variables, specifically foreign exchange rates, remain fixed.

	As of December 31, 2022			
	Effect on total comprehensive income (loss) and capital			
	1.5% decrease	1% decrease	1% increase	1.5% increase
	NIS million			
Long-term loans (US LIBOR)	**5**	**3**	**(3)**	**(5)**
Interest rate swaps (US LIBOR)	**(3)**	**(2)**	**2**	**3**

	As of December 31, 2021			
	Effect on total comprehensive income (loss) and capital			
	0.5% decrease	0.5% increase	1% increase	1.5% increase
	NIS million			
Long-term loans (US LIBOR)	2	(2)	(4)	(5)
Interest rate swaps (US LIBOR)	(1)	1	2	4

The Group's exposure to LIBOR risk for derivative financial instruments used for hedging is as follows:

	As of December 31, 2022				
	Linkage receivable	Interest payable	Expiration date	Amount of the linked reserve	Fair value
				NIS million	
Interest rate swaps	USD LIBOR interest	0.93%	**2030**	**219**	**24**

	As of December 31, 2021				
	Linkage receivable	Interest payable	Expiration date	Amount of the linked reserve	Fair value
				NIS million	
Interest rate swaps	USD LIBOR interest	0.93%	**2030**	**216**	**3**

NOTE 23 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont.)

D. Fair value

1. Financial instruments measured at fair value for disclosure purposes only

The carrying amount of certain financial assets and financial liabilities, including cash and cash equivalents, deposits, restricted cash and deposits (including long term), trade receivables (including long term), financial derivatives, short term credit, trade payables, and other long-term liabilities (excluding liabilities in respect of leases), corresponds with or is close to their fair value.

Below is the fair value of financial liabilities and the carrying amount presented in the statement of financial position:

	As of December 31, 2022		
	Carrying amount (*)	Fair value	Discount rate used in determination of the fair value
	NIS million	NIS million	
Loans from banks and financial institutions (Level 2)	**1,817**	**1,859**	4.3%-5.6%
Loans from non-controlling interests (Level 2)	**437**	**400**	4.4%-9.3%
Debentures (Level 1)	**1,854**	**1,734**	5.4%-5.6%
	4,108	**3,993**	

	As of December 31, 2021		
	Carrying amount (*)	Fair value	Discount rate used in determination of the fair value
	NIS million	NIS million	
Loans from banks and financial institutions (Level 2)	1,520	1,697	1.2%-4.3%
Loans from non-controlling interests (Level 2)	429	440	1.2%-6.6%
Debentures (Level 1)	1,824	1,997	1.1%-2.9%
	3,773	4,134	

(*) Includes current maturities and interest payable.

NOTE 23 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont.)

D. Fair value

2. Fair value hierarchy of financial instruments measured at fair value

The table below presents an analysis of financial instruments measured at fair value, on a periodic basis.

The assessment method and the different levels appear in Note 4 above.

	As of December 31,	
	2022	**2021**
	NIS million	**NIS million**
Financial assets		
Derivatives used for hedge accounting		
CPI swap contracts (Level 2) (*)	**33**	23
Interest rate swaps (US LIBOR) (Level 2)	**24**	3
Forwards on exchange rates (Level 2)	**2**	-
	59	26
Financial liabilities		
Derivatives used for hedge accounting		
Forwards on exchange rates (Level 2)	**-**	(4)
Derivatives not used for hedge accounting		
Forwards on exchange rates (Level 2)	-	(16)
	-	(20)

(*) The nominal NIS-denominated discounted interest rate range in the value calculations is 3.94%-4.20% and the real discounted interest rate range is 0.24%-2.10%.

NOTE 24 – RELATED AND INTERESTED PARTIES

A. Compensation and benefits for key management personnel (including directors)

The Group's Chairman of the Board and senior directors (hereinafter - "Key Management Personnel") are usually entitled, in addition to salary, to arrangements regarding the notice and adjustment periods, various social benefits, including vacation, sick leave and convalescence pay, various insurance coverage, study fund, car and telephone. In addition, the Group contributes funds for them to predefined post-employment benefit plans. Key Management Personnel also participate in the Company's equity compensation program and senior directors in CPV Group, in the profit-sharing plan for CPV Group employees. For further information, see Note 18C.

Compensation and benefits for the Key Management Personnel employed in the Group:

	For the year ended December 31					
	2022		2021		2020	
	No. of people	NIS million	No. of people	NIS million	No. of people	NIS million
Employee benefits	8	**28**	7	21	2	4
Post-employment benefits	8	**1**	6	1	2	*-
Adjustment bonuses (*)	6	**4**	-	-	-	-
Share-based payment	8	**24**	7	21	2	1
		57		**43**		**5**

* Amount is less than NIS 1 million.

(*) During the reporting period, costs for adaptation bonuses were charged

Compensation and benefits for directors who are not employed in the Group:

	For the year ended December 31					
	2022		2021		2020	
	No. of people	NIS million	No. of people	NIS million	No. of people	NIS million
Total benefits for directors who are not employed in the Group	7	**2**	8	1	9	1

Below are additional details regarding the terms of employment of the Chairman of the Board and Company CEO:

1. Giora Almogy is the CEO of the Company and the CEO and director of the subsidiaries, from January 1, 2011. According to his employment agreement, in 2022 the CEO is entitled to a monthly salary of NIS 179 thousand (linked to the CPI published in February 2021). The Company CEO is also entitled to social benefits as is standard in the Company and related benefits, according to the compensation policy (such as vehicle, reimbursement of expenses, an additional (13^{th}) monthly salary) .

The engagement between the Company and the CEO is for an indefinite period and may be canceled by any of the parties by six-months' written notice. During the notice period, the Company CEO will be entitled to the full salary and fringe benefits paid in accordance with the provisions of the agreement. Upon termination of the employment of the Company's CEO for any reason whatsoever, except upon dismissal in circumstances under which the law allows non-payment of severance pay, the CEO will be entitled to the funds accrued in the pension fund/ managers insurance policy, and also to an amount equal to one gross monthly salary in accordance with his/her latest monthly salary immediately prior to the term in office end date, multiplied by the number of years of service in the Company. The CEO shall be entitled to a six-month adaptation period (that does not overlap with the advance notice period) in any event of termination of service, except for circumstances under which the law allows non-payment of severance pay. The adaptation period will start at the end of the advance notice period; during the adaptation period, the CEO will continue receiving his service and employment terms in full. In addition, the Company CEO will be entitled to bonuses according to the Company's compensation policy as applicable from time to time, based on the approvals required by law. For information about options granted to the Company CEO, see Note 18B.

Subsequent to the report date, the Company's Board of Directors approved (after approval by the Audit Committee) a bonus to the Company CEO in respect of 2022 in the amount of NIS 2,367 thousand. Furthermore, on January 1, 2023, the Company CEO is entitled to a salary increase of 10% of the original base salary (NIS 166 thousand).

NOTE 23 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont.)

B. Balances with related and interested parties

Fair value The engagement between the Company and the CEO is for an indefinite period and may be canceled by any of the parties by six-months' written notice. In the last three months of this period, the Company CEO will not actually be required to work. During the notice period, the Company CEO will be entitled to the full salary and fringe benefits paid in accordance with the provisions of the agreement. The Company may terminate the agreement immediately or at any time during the notice period, provided that on the date of termination of his employment, it pays the CEO all amounts to which he would have been entitled under the agreement had he continued serving in the Company during the entire notice period. Under exceptional circumstances, the Company may terminate the engagement immediately as is standard with such agreements. Upon termination of the Company CEO's employment, for any reason, except dismissal under special circumstances, he will be entitled to compensation in an amount equal to 100% of the last basic salary paid to him multiplied by the number of years of employment in the Company and pro rata for parts of a year, while all amounts accrued in funds on account of severance pay, which will be transferred to the order of the Company CEO at the end of his employment, will be deducted from this amount.

In addition, the Company CEO will be entitled to bonuses according to the Company's compensation policy as applicable from time to time, based on the approvals required by law, but in any event, the total annual bonus will not exceed NIS XX million.

Furthermore, the CEO is entitled to related benefits as is customary in the Company and in accordance with the Company's Compensation Policy, as it is updated from time to time.

For information about options granted to the Company CEO, see Note 18B.

Subsequent to the report date, the Company's Board of Directors approved (after approval by the Audit Committee) a bonus to the Company CEO in respect of 2022 in the amount of NIS XX thousand.

Furthermore, on January 1, 2023, the Company CEO is entitled to a salary increase of 10% of the base salary.

	As at December 31	
	2022	**2021**
	NIS million	**NIS million**
Balances in Israel:		
Cash and cash equivalents (1)	**443**	187
Short term deposits (1)	**125**	-
Trade receivables (2)	**29**	25
Other accounts receivable	**1**	-
Other accounts payables	**(1)**	(1)
Balances in the USA:		
Cash and cash equivalents (1)	**177**	92
Customers	**7**	5
Other long-term receivables	**18**	16
Loans from non-controlling interests (3)	**(121)**	(86)

NOTE 23 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont.)

C. Transactions with related parties and interested parties

	For the year ended December 31		
	2022	**2021**	**2020**
	NIS million	**NIS million**	**NIS million**
Transactions in Israel:			
Sales (2)	**252**	240	276
Cost of sales (1)	**2**	(3)	-
General and administrative expenses	**-**	(1)	-
Other finance income, net	**6**	-	-
Interest expenses for loans from banks and financial institutions	**-**	(25)	(7)
Loss from disposal of financial liabilities, net	**-**	(95)	-
Discounted interest expenses for property, plant and equipment	**-**	-	(1)
Transactions in the USA:			
Revenues from provision of services (4)	**65**	44	-
Interest expense for loans from non-controlling interests (3)	**(7)**	(9)	-

2. During the ordinary course of business and under market terms, the Group enters into agreements with Mizrahi Bank Group for a wide range of banking activities, including management of cash and deposits and short-term credit facilities.

3. Mainly[5] a PPA agreement for the sale of electricity to Oil Refineries Ltd. Group (”Bazan Group”) and an agreement for the sale of natural gas surpluses to ICL Group Ltd.

In 2011, Rotem signed an agreement with Bazan Group for the sale of electricity for a period of 120 months from the date that Rotem commenced commercial operation (July 2013), while Bazan Group has an option to notify Rotem of its intention to purchase electricity from another independent power producer (IPP) operating from its plant, and as a result, the quantity of electricity purchased from that IPP will be deducted from the PPA Agreement with Rotem, thereby affecting the discount granted to Bazan Group.

The consideration specified in the agreement is per kilowatt-hour consumed and based on the DSM tariff with a discount on the Generation Component tariff. The agreement includes provisions according to which if Bazan Group fails to consume electricity in the minimum quantity specified in the agreement, this will affect the price that it is required to pay, and under certain circumstances, Rotem may terminate the agreement in part or in full. The agreement also sets out provisions regarding electricity consumption by Bazan Group above the maximum quantity agreed upon and the payments in such case. The agreement sets out conditions regarding increasing the foregoing maximum quantity at Bazan Group’s request.

In the agreement, Rotem undertook to meet a specified volume of electricity supply on a cumulative basis (minimum capacity), which is measured according to periods set in the agreement, where if it becomes evident that the volume of electricity supply was below that committed in the agreement, Rotem would compensate Bazan Group as specified in the agreement, and under certain circumstances, Rotem is even entitled to terminate the agreement by prior notice.

[5] It should be noted that the Group also sells electricity to other related parties in Israel, but these sales are negligible.

NOTE 24 – RELATED AND INTERESTED PARTIES (cont.)

C. Transactions with affiliates and interested parties (cont.)

The agreement includes a list of breach events, whereby if they occur, each party to the agreement may terminate it without this being considered a breach of the agreement, if the remediation period specified in the agreement for each incident has ended. The parties may endorse/assign their rights under that agreement without the other party's prior written consent, unless Rotem endorses the rights of affiliates according to the provisions of the agreement, to lenders under circumstances specified in the agreement, or if Bazan Group endorses its rights under the agreement to a company under its control that consumes electricity from its electricity meters.

It should be noted that as at the approval date of the financial statements, to the best of the Company's knowledge, Bazan has ceased being a related party and interested party in the Company. The term of the agreement will end in July 2023, and as of the filing date of the Report, it is not yet known whether the agreement will be renewed and/or regarding the terms and conditions of the renewal, if any.

In addition, in June 2022, the Company entered into a transaction for the sale of natural gas surpluses to ICL Group Ltd. over the period from May 2022 through January 2023. In accordance with the agreement, the Company sold natural gas to the ICL Group Ltd. if it had surpluses, in accordance with the commercial terms set out in the agreement. The Company recognized in its financial statements immaterial amounts in profit from such sales of gas surpluses in 2022.

4. The Group has engaged in a partnership agreement with OPC Power for the acquisition of CPV Group, as defined in Note 25D2, inter alia with institutional investors from Migdal Insurance Group, an interested party in the Company.

5. As part of the asset and energy management operations, CPV Group provides management, initiation and maintenance services to specific associates.

NOTE 25 – SUBSIDIARIES

A. Material Group subsidiaries

Set forth below are details about the Group’s material subsidiaries (directly and indirectly held):

		The Group’s ownership rights in the subsidiary	
		As of December 31	
	Main location of the Company's operations	2022	2021
Company			
OPC Power Plants Ltd. (hereinafter – “OPC Power Plants”) (1)	Israel	100%	100%
CPV Group PL (hereinafter - “CPV Group”) (2)	USA	70%	70%

(*) Upon completion of the Veridis transaction in January 2023 for the investment in and restructuring of the Israel area of activity (as described in Note 29A), the Company coordinates the activity in Israel through OPC Holdings Israel Ltd., which wholly-owns, among other things, OPC Power Plants. As of the approval date of the Report, the Company holds 80% of OPC Israel’s shares, and the remaining 20% are held by Veridis.

(1) <u>OPC Power Plants</u>

In December 2020, the Company carried out an internal reorganization in accordance with Section 104A of the Income Tax Ordinance, in which it transferred to OPC Power Plants its entire holdings in some of the subsidiaries it owned. As of the report date, OPC Power Plants holds subsidiaries Rotem, Hadera, Zomet, Hadera Operations Company and Sorek 2, as detailed below. Subsequent to the report date, in January 2023 and as part of the share exchange and investment transaction with Veridis, as described in Note 29A, generation facilities installed at consumers’ premises were transferred to OPC Power Plants.

(2) <u>The CPV Group</u>

CPV Group is an American limited partnership established under Delaware law in the United States; it is owned by the Company through OPC Power. As of the report date, CPV Group coordinates the Company’s activity in the USA. For information regarding CPV Group’s areas of activity, see Note 27. For information about major projects of the CPV Group, held through associates, see Note 26.

<u>OPC Power Ventures LP</u>

In October 2020, the Company entered into partnership agreement with three financial entities (hereinafter - the “Partnership Agreement”), whereby the partners will invest in OPC Power. OPC Power is a special purpose partnership for the purpose of acquiring and holding CPV Group and for making additional investments in CPV Group, in the Power and Electricity sector in the United States. The Limited Partners in the Partnership are as follows: The Company (through a subsidiary) that holds 70%; three financial investors that are: Clal Insurance Group institutional investors that hold 12.75%; Migdal Insurance Group institutional investors that hold 12.75%; a Poalim Capital Markets Group company that holds 4.5% (these three investors will be referred to hereinafter - the “Financial Investors”) (the rates do not include profit-sharing rights allocated to CPV Group managers as set out in Note 18C).

NOTE 25 – SUBSIDIARIES

A. Material Group subsidiaries (cont.)

A wholly owned company of the Company is the General Partner of the Partnership, and as such manages the Partnership's business. So long as the Company is the controlling shareholder of the Partnership's General Partner, a separate operation of the Company in the area of operation of the Partnership in the US will require approval by a special majority of the other partners.

As of the Report date, the total investment undertakings and provision of the shareholder loans by all partners (after approval of participation in further investment undertakings by all the investors totaling USD 400 million), each partner according to its foregoing holding rate, amounted to USD 1,215 million. The said amount is designated for acquisition of all the rights in the CPV Group and for financing additional investments.

The Partnership Agreement provides, among other things, the rights of the General Partner to management fees at a rate deriving from the scope of investments of the Partnership, and a carried interest that is dependent on the rate of return earned by the Partnership. Furthermore, the Partnership Agreement contains, among other things, arrangements for the relationships between the Limited Partners and the relationships between them and the General Partner of the Partnership, provisions relating to the management of the Partnership, restrictions on the transfer partners' rights, tag along rights of the financial investors in certain cases, right of first offer (ROFO) in certain cases and drag along rights.

The Company and the financial investors also signed agreements during the Reporting Year and subsequent thereto, whereby the Company granted the financial investors a put option, and they granted the Company a call option (in the event that the put option is not exercised), with respect to the holdings of the financial investors in the Partnership. The exercise price of the put option will be based on the fair value of the Partnership less a certain discount, and exercise price of the call option will be based on the fair value of the Partnership plus a certain premium. The Partnership Agreement defines the exercise period and expiry dates of the options. The Company may pay the exercise price through its shares based on their average price on the stock exchange shortly before the exercise.

During the reported period, the Limited Partners in the Partnership provided OPC Power with equity investments totaling USD 122 million (NIS 409 million) and provided it with loans at the total amount of USD 38 million (NIS 127 million), respectively, each in accordance with its proportionate share. The loans are denominated in USD and bear an annual interest rate of 7%. The loan principal will be repayable at any time as will be agreed on between the parties, but no later than January 2028. Accrued interest is payable on a quarterly basis. To the extent the payment made by OPC Power is lower than the amount of the accrued interest, the payment in respect of the balance will be postponed to the following quarter – but not later than January 2028.

As of the report date, total investments in Partnership's equity and the outstanding balance of the loans (including accrued interest) amount to USD 779 million (approx. NIS 2,741 million), and USD 271 million (approx. USD 953 million), respectively. Subsequent to the reporting date, further investments in equity and shareholders' loans totaling NIS 370 million (USD 103 million) and NIS 115 million (USD 32 million), respectively, were advanced. Subsequent to the reporting date, on March 2023, the Company and the Financial Investors approved their participation in an additional investment commitment for backing guarantees that were or will be provided for the purpose of development and expansion of projects - each based on its pro rata share, as outlined above, for a total of USD 75 million. As at the approval date of the financial statements, the total balance of investment undertakings and shareholders' loans of all partners is estimated at USD 135 million (NIS 475 million).

NOTE 25 – SUBSIDIARIES

A. Material Group subsidiaries (cont.)

(2) Gnrgy

In May 2021, the Company acquired 27% of the share capital of Gnrgy, a privately-held company which operates in the field of EV charging services, and the installation of charging stations for electric vehicles, for a total consideration of NIS 25 million. Furthermore, in December 2021, the Company invested further NIS 29 million in Gnrgy (against the allocation of new Gnrgy shares); at the same time, the Company purchased shares from the Developer in consideration for NIS 13 million. Subsequent to the additional investment in Gnrgy, the Company holds 51%[6] of Gnrgy's share capital.

Concurrent with the agreement for the acquisition of Gnrgy's shares, a shareholders' agreement was signed that governs the relationship between the Company and the Developer following the completion of the transaction. In addition, the Shareholders' Agreement determines, among other things, the rights of the shareholders in connection with appointment of directors to Gnrgy's Board of Directors, the voting power (rights) of each of them will reflect the rates of ownership of the parties in Gnrgy's share capital.

As part of the agreement, the Company was awarded the option to purchase the remaining shares held by the Developer and reach a 100% stake in Gnrgy's share capital at an exercise price that will be derived from the fair value of Gnrgy on the exercise date, assuming an agreed-to rate, but no less than a price based on the value of the original transaction. The purchase option's exercise period shall be the period that was set after the approval of the financial statements for each of the years 2024-2026. To the extent the entire exercise period of the Purchase Option passes without the Company exercising the Purchase Option, and on the assumption that no capital investments have been made in Gnrgy so as to dilute the Developer's share and subject to additional conditions stipulated in the Shareholders' Agreement, the Developer has an option to acquire shares of Gnrgy from the Company such that after the acquisition, he will hold 2% more than the Company in Gnrgy's share capital, and will once again become the controlling shareholder of Gnrgy. In addition, to the extent the Company did not exercise the Purchase Option within the first period for exercise of the Purchase Option, and the Developer will hold less than 15% of Gnrgy's share capital, the Developer will have an option to require the Company purchase his shares based on the fair value that will be determined in accordance with that stated in the Shareholders' Agreement at a discount rate as provided in the agreement. The Company will be permitted to pay the consideration for the said put option of the Developer and, under certain circumstances, part of the consideration for exercise of the Purchase Option of the Company, by means of issuance of shares of the Company to the Developer.

[6] As from December 31, 2021, the Company includes Gnrgy's results in its consolidated financial statements and includes it in the Israel segment.

NOTE 25 – SUBSIDIARIES (cont.)

B. Significant restrictions on the transfer of resources between entities within the Group

Company	The Company's holding rate (indirect) as at December 31, 2022	The Company's investment balance* (direct and indirect) as at December 31, 2022 (in NIS millions)	Limit
Hadera	100%	86	For further information see Note 16B1 and Note 16B5
Zomet	100%	347	For further information see Note 16B2 and Note 16B5.
Rotem	80%	146	The debt-EBITDA ratio will not exceed 5
Keenan	70%	97	For further information see Note 16B4

(*) Including capital notes classified in the equity of the subsidiaries.

NOTE 25 – SUBSIDIARIES (cont.)

C. Non-controlling interests in consolidated companies

Rotem

Set forth below is financial information about Rotem (before the elimination of inter-company transactions), in which there are - as of the report date - non-controlling interests of 20% that are material to the Group.

	As of December 31	
	2022	2021
	NIS million	NIS million
Current assets	**222**	195
Non-current assets	**1,380**	1,412
Current liabilities	**463**	337
Non-current liabilities	**957**	1,265
Non-controlling interests	**36**	1
Total assets, net	**146**	4

Information on results:

	For the year ended December 31		
	2022	2021	2020
	NIS million	NIS million	NIS million
Sales	**1,145**	1,034	1,119
Profit (loss) for the year	**177**	(73)	121
Total comprehensive income (loss)	**177**	(73)	121
Profit (loss) attributable to the non-controlling interests	**35**	(15)	24

Cash flow data:

	For the year ended December 31		
	2022	2021	2020
	NIS million	NIS million	NIS million
Cash flows from operating activities	**256**	261	399
Cash flows from investing activities	**(97)**	112	(23)
Cash flows for financing activities	**(189)**	(442)	(365)
Effect of exchange rate fluctuations on cash and cash equivalent balances	**-**	-	(2)
Total increase (decrease) in cash and cash equivalents	**(30)**	(69)	9

NOTE 25 – SUBSIDIARIES (cont.)

C. Non-controlling interests in consolidated companies (cont.)

Dividend Distribution

During the reporting period, no dividend distributions were made by Rotem.

In 2021, Rotem distributed dividends amounting to NIS 165 million, of which OPC Power Plants' share amounts to NIS 132 million, and Veridis' share amounts to NIS 33 million.

OPC Power

Set forth below is financial information about OPC Power (before the elimination of inter-company transactions), in which there are - as of the report date - non-controlling interests of 30% that are material to the Group.

	As at December 31	
	2022	2021
	NIS million	NIS million
Current assets	**443**	278
Non-current assets	**3,790**	2,715
Current liabilities	**107**	67
Non-current liabilities	**1,450**	1,082
Non-controlling interests *	**803**	553
Total assets, net	**1,873**	1,291

Information on results:

	For the year ended December 31	
	2022	2021
	NIS million	NIS million
Sales	**192**	164
Profit (loss) for the year*	**60**	(218)
Total comprehensive income (loss)*	**153**	(164)
Profit (loss) attributable to the non-controlling interests*	**18**	(65)

(*) The OPC Power partnership does not file tax returns; therefore - its results are presented before the effectof taxes on income.

Cash flow data:

	For the year ended December 31	
	2022	2021
	NIS million	NIS million
Cash flows for operating activities	**(54)**	6
Cash flows from investing activities	**(403)**	(2,229)
Cash flows for financing activities	**488**	2,381
Effect of exchange rate fluctuations on cash and cash equivalent balances	**28**	48
Total increase in cash and cash equivalents	**59**	206

Dividend Distribution

During 2021 - 2022, no dividend distributions were made by OPC Power.

NOTE 25 – SUBSIDIARIES (cont.)

D. Loans from non-controlling interests

1. Composition

	As at December 31	
	2022	2021
	NIS million	NIS million
Loans from non-controlling interests (1)	**437**	433
Current maturities	**(13)**	(97)
	424	336

(1) Loans from non-controlling interests:

	As at December 31	
	2022	2021
	NIS million	NIS million
Loan to Rotem (see Section D2 below)	**145**	226
Loan to OPC Power (see Section A4(b) above)	**286**	202
Other loans	**6**	5
	437	433

2. **Loan to Rotem**

The Rotem power plant project was funded using project financing advanced by a consortium of lenders. In October 2021, early repayment of the full outstanding balance of Rotem's project financing in the amount of NIS 1,292 million (including an early repayment fee) was completed, a debt service reserve and additional restricted cash in the amount of NIS 125 million were released, and guarantees related to the Rotem Agreement were canceled.

In order to finance a portion of the early repayment amount, totaling NIS 1,130 million, the Company and Veridis extended to Rotem shareholders' loans according to their share in Rotem's shares (hereinafter - the "Shareholders' Loans"), such that the Company provided an amount of NIS 904 million, and Veridis provided an amount of NIS 226 million. The shareholder loans are not linked and bear annual interest of 2.65% (representing market conditions as at the loans grant date) or interest in accordance with Section 3(J) of the Income Tax Ordinance, whichever is higher. The loans shall be repaid in quarterly unequal installments in accordance with the free cash flow balance, and in any case no later than October 2031.

Subsequent to the report date, in January 2023 and as part of the completion of the Veridis transaction (as described in Note 29A), shareholders' loans totaling NIS 400 million were repaid (including payment of interest totaling NIS 6 million), and as of the report approval date the balance of shareholders' loans is NIS 545 million (of which the Company's share is NIS 436 million and Veridis' share is NIS 109 million). Furthermore, upon closure of the transaction, the balance of the loans will be repaid in unequal quarterly installments, according to 60% of Rotem's free cash flow.

NOTE 25 – SUBSIDIARIES (cont.)

E. Material business combination that occurred during 2021

1. **Acquisition of the CPV Group**

In January 2021, the transaction for the acquisition of 70% of the rights and holdings in CPV Group was completed. The acquisition was executed through a limited partnership, CPV Group LP, which is held, indirectly, by the Company (approximately 70% by the limited partner). For more information about CPV Group, see Note 25A2. On the transaction completion date, and in accordance with the mechanism for determining the consideration as defined in the purchase agreement, the sellers were paid a consideration of USD 648 million, and a total of USD 5 million for a deposit of an identical amount that was retained by CPV Group.

The Company partially hedged its exposure to changes in the cash flows from payments in US dollars in connection with the agreement for acquisition of the CPV Group by means of forward transactions and dollar deposits. The Company chose to designate the forward transactions as an accounting hedge. On the Transaction Completion Date, the Company recorded an amount of approximately NIS 103 million that was accrued in a hedge capital reserve to the investment cost in the CPV Group.

As part of allocation of the acquisition consideration and determination of the fair value of identifiable assets and liabilities, the Group consolidated for the first time investments in associates at the total amount of USD 595 million (NIS 1,944 million), as well as an intangible asset in respect of Keenan's PPA at the total amount of USD 111 million (NIS 361 million). Furthermore, following the acquisition, goodwill of USD 105 million (NIS 343 million), including goodwill arising from hedging, was recognized.

The contribution of the CPV Group to the Group's revenues and loss from the acquisition date until December 31, 2021 amounted to NIS 164 million and NIS 181 million, respectively. Management estimates that had the acquisition taken place as early as January 1, 2021, the revenue amount in the consolidated statement of income for the year ended December 31, 2021 would have been NIS 1,590 million and the consolidated loss for the year ended on that date would have been NIS 278 million.

NOTE 26 – ASSOCIATES

CPV Group's operations in the energy transition sector, as described in Note 27 below, is carried out through associates.

Set forth below is condensed information regarding principal associates of CPV Group. In addition, the CPV Group owns additional associates that hold rights to projects under development and in which the investment, as of the Report date, amounts to non-material amounts.

A. Condensed financial information on the financial position as at December 31, 2022 and results of operations for 2022:

	Fairview	Maryland	Shore	Towantic	Valley	Three Rivers
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Holding rate	25.0%	25.0%	37.5%	26.0%	50.0%	10.0%
Current assets	348	260	327	305	208	115
Non-current assets	3,304	2,304	3,461	3,295	2,388	4,710
Total assets	3,652	2,564	3,788	3,600	2,596	4,825
Current liabilities	585	260	189	471	1,908	169
Non-current liabilities	1,409	1,128	2,287	1,726	23	2,889
Total liabilities	1,994	1,388	2,476	2,197	1,931	3,058
Net assets	1,658	1,176	1,312	1,403	665	1,767
Company's share	415	294	492	365	333	213
Fair value adjustments made on acquisition date	283	(51)	(186)	94	(3)	29
Carrying amount of investment	698	243	306	459	330	242

	Fairview	Maryland	Shore	Towantic	Valley	Three Rivers
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Operating income	1,231	813	836	1,685	1,409	-
Net change in fair value of derivative financial instruments	25	5	41	(25)	(47)	(9)
Total income	1,256	818	877	1,660	1,362	(9)
Operating expenses	(873)	(629)	(745)	(1,427)	(1,040)	(20)
Operating profit (loss)	383	189	132	233	322	(29)
Finance expenses, net	(50)	(77)	(110)	(74)	(89)	3
Net profit (loss) *	333	112	22	159	233	(26)
Other comprehensive income *	53	22	55	76	4	181
Comprehensive income	386	134	77	235	237	155
Company's share in profit (loss)	83	28	8	41	117	(3)
Company's share in other comprehensive income	13	6	22	20	2	18
Reductions of profit and loss in respect of adjustments to fair value made on the acquisition date	(4)	2	12	-	1	-
Share in the profits (losses) of associates	79	30	20	41	118	(3)
Group's share in other comprehensive income of associates	13	6	22	20	2	18
Depreciation and amortization	91	71	109	112	64	-

(*) It should be noted that the associates do not file tax returns and therefore their results do not reflect the tax effect.

NOTE 26 – ASSOCIATES (cont.)

B. Condensed financial information on the financial position as at December 31, 2021 and results of operations for 2021 (from the acquisition date of CPV Group):

	Fairview	Maryland	Shore	Towantic	Valley	Three Rivers
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Holding rate	25.0%	25.0%	37.5%	26.0%	50.0%	10.0%
Current assets	334	83	142	120	111	9
Non-current assets	3,067	2,083	3,232	2,964	2,194	2,953
Total assets	3,401	2,166	3,374	3,084	2,305	2,962
Current liabilities	423	115	25	386	265	65
Non-current liabilities	1,839	1,110	2,261	1,676	1,671	2,203
Total liabilities	2,262	1,225	2,286	2,062	1,936	2,268
Net assets	1,139	941	1,088	1,022	369	694
Company's share	285	235	408	266	185	174
Fair value adjustments made on acquisition date	254	(46)	(175)	83	(4)	26
Carrying amount of investment	539	189	233	349	181	200

	Fairview	Maryland	Shore	Towantic	Valley	Three Rivers
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Operating income	746	568	569	969	645	-
Net change in fair value of derivative financial instruments	(102)	(18)	45	(135)	(194)	1
Total income	644	550	614	834	451	1
Operating expenses	(535)	(459)	(488)	(705)	(561)	(31)
Operating profit (loss)	109	91	126	129	(110)	(30)
Finance expenses, net	(77)	(73)	(73)	(70)	(80)	-
Net profit (loss) *	32	18	53	59	(190)	(30)
Other comprehensive income *	36	35	25	36	12	63
Comprehensive income (loss)	68	53	78	95	(178)	33
Company's share in profit (loss)	8	4	20	15	(95)	(3)
Company's share in other comprehensive income	9	9	10	9	6	6
Reductions of profit and loss in respect of adjustments to fair value made on the acquisition date	(4)	8	12	-	2	-
Share in the profits (losses) of associates	4	12	32	15	(93)	(3)
Group's share in other comprehensive income of associates	9	9	10	9	6	6
Depreciation and amortization	82	55	103	89	57	-

(*) It should be noted that the associates do not file tax returns and therefore their results do not reflect the tax effect.

NOTE 26 – ASSOCIATES (cont.)

C. Dividends received from associates

During the reporting period, no dividends were distributed by associates. During 2021, the Group received dividends from associates amounting to NIS 32 million.

D. Attachment of financial statements of material associates

The Company attaches to its financial statements as of December 31, 2022, the financial statements of Valley and the condensed financial data, including adjustments from US GAAP to IFRS under Note 30 and with the permission of the Israel Securities Authority's staff will publish Fairview's financial statements as at December 31, 2022 until March 31, 2023 (hereinafter- "Material Associates"). For more information, see Note 30.

The Material Associates' functional and presentation currency is the dollar.

The financial statements of the Material Associates are drawn up in accordance with US GAAP, which vary, in some respects, from IFRS. Set forth below is information regarding adjustments made to the Material Associates' financial statements in order to make them compatible with the Company's accounting policies and rules.

It should be noted that Valley's financial statements as of December 31, 2022, include a disclosure about Valley's ability to repay its undertakings under its financing agreement with a consortium of lenders, amounting to more than NIS 1.4 billion (approx. USD 405 million), on the contractual repayment date of the said undertakings - June 30, 2023. As of the approval date of the financial statements, Valley is conducting negotiations with the lenders regarding the extension of the term of the financing agreement by at least two more years, but such an extension or its terms are uncertain. The conditions for the extension, which are under negotiations as stated above, and which are subject to the consent of the lenders and CPV Group, include fees in respect of the extension, increasing the interest rate spreads, and partial repayment of the debt balance (that will be partly financed by injection of capital by the shareholders) at an estimated amount of USD 40-100 million (CPV Group's share - 50%). As of the approval date of the financial statements, Valley is not expected to be able to repay its liabilities under the financing agreement using its cash flows from operating activities; however, Valley's management believes that it will be able to extend or refinance its financing agreement by June 30,[7] 2023. As of the approval date of the financial statements, the said circumstances have no effect on the financial and operating results of the Group and of Valley.

For information about reconciliation between US GAAP and IFRS, see Note 30 below.

[7] As at the approval date of the financial statements, Valley applied for a Title V environmental operating permit (required to replace the previous ASF permit), and in the meantime, it may continue operating under the previous permit until a final decision (after exhaustion of appeals in case of rejection) regarding the Title V permit. Until a Title V permit is received (if any), the terms of Valley's new or revised financing agreements may be negatively affected because obtaining the permit has not yet been completed. As at the approval date of the financial statements, it is uncertain whether and when a Title V permit will be obtained.

NOTE 27 – SEGMENT REPORTING

As a result of acquisition of the CPV Group in January 2021 (as stated in Note 25E), as from the first quarter of 2021 the Group presented two geographic operating segments: Israel and USA.

Against the backdrop of significant expected growth in CPV Group’s activity, specifically in the field of renewable energies, as from the fourth quarter of 2022 there were changes in the Group’s operating segments in the USA, such that as of the report date the Group has three reportable operating segments, that constitute strategic business units of the Group, and other activities that do not constitute reportable segments.

These strategic business units are managed separately for resource allocation and performance evaluation purposes due to the fact that some are different markets, and others require different technology and adjustment of the trading structure of each unit.

Set forth below is a brief description of the business activities of each of the Group’s three operating segments:

- **The Israel Segment (as of the approval date of the report, through OPC Israel Holdings)** - Under this operating segment, the Company is engaged in the generation and supply of electricity and energy, mainly to private customers and to the System Operator, and in the development, construction and operation in Israel of power plants and energy generation facilities powered using natural gas and renewable energy. Upon completion of the Veridis transaction in January 2023 for the investment in and restructuring of the Israel area of activity, as at the report approval date, the Company coordinates its operations in Israel through OPC Israel. The Company is also engaged in the electric vehicles charging and energy management in Israel segment through Gnrgy. For more information about the closure of the Veridis transaction, see Note 29A to the financial statements.

- **Renewable energies in the USA** - in this area of operation, the Company engages - through CPV Group - in the initiation, development, construction and maintenance of renewable energy power plants (solar and wind) in the USA, and the supply of electricity from renewable sources. The active wind farm (Keenan) and the power plants under development and construction in this segment are held though subsidiaries. For further information about the active wind farm acquisition transaction at the beginning of 2023, which has not yet been closed as at the approval date of the financial statements, see Note 29.

- **Energy transition sector in the USA** - as part of this operating segment, the Company is engages - through CPV Group - in the development, construction and maintenance of conventional natural gas-fired power plants that supply efficient and reliable electricity in the USA. The active power plants and the power plants under construction in this area of operation are held through associates (which are not included in the Company’s financial statements).

In addition, the Company is engaged, through CPV Group, in a number of business activities in the USA, which - as of the report date - are not material to the Group’s operating results (and do not constitute reportable segments in the financial statements):

(1) The development of electricity and energy generation projects (high-efficiency natural gas-fired power plants) that integrate carbon capturing capabilities,(2) the provision of assets and energy management services to power plants in the USA owned by CPV Group and third parties; and (3) in the beginning of 2023, CPV Group launched retail electricity sales operations to commercial customers.

The segment’s results are based on the adjusted EBITDA, which is the profit (loss) of the Company before depreciation and amortization, net changes of the fair value of derivatives, finance expenses or income, and income taxes, as well as net of non-recurring income (expenses). The data of associates and joint ventures are included by way of proportionate consolidation according to the CPV Group's holding rate, and accordingly, the adjustments column includes mainly adjustments relating to the transition from the “proportionate consolidation” method that was used in internal management reports, and accordingly in this note, to the equity method.

The Group’s 2021 segment information that is presented for comparison purposes was restated in order to reflect the change as stated above.

NOTE 27 – SEGMENT REPORTING (cont.)

	For the year ended December 31, 2022					
	Israel	Energy transition in the USA	Renewable energies in the USA	Other activities in the USA	Adjustments to consolidated	Consolidated - total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Revenues from sales and provision of and services	1,735	1,967	95	97	(1,967)	1,927
Annualized EBITDA	367	562	26	-	(564)	391
Adjustments in respect of non-attributed amounts:						
Unattributed general and administrative expenses in the USA						(111)
General and administrative expenses not allocated to segments						(26)
Total EBITDA for the year						254
Depreciation and amortization						(201)
Finance expenses, net						(47)
Equity profits						286
Non-recurring expenses						(10)
						28
Profit before taxes on income						282
Taxes on income						65
Profit for the year						217

The total EBITDA generated by the Group's activities in the USA (including the associates) in 2022 amounts to NIS 477 million.

NOTE 27 – SEGMENT REPORTING (cont.)

	For the year ended December 31, 2021					
	Israel	Energy transition in the USA	Renewable energies in the USA	Other activities in the USA	Adjustments to consolidated	Consolidated - total
	NIS million	NIS million	NIS million	NIS million	NIS million	NIS million
Revenues from sales and provision of services	1,412	1,110	82	81	(1,110)	1,575
Annualized EBITDA	352	339	29	8	(340)	388
Adjustments in respect of unattributed amounts:						
Unattributed general and administrative expenses in the USA						(73)
General and administrative expenses not allocated to segments						(21)
Total EBITDA for the year						294
Depreciation and amortization						(179)
Finance expenses, net						(457)
Equity losses						(35)
Non-recurring expenses						(3)
						(674)
Loss before taxes on income						(380)
Tax benefit						(77)
Loss for the year						(303)

The total EBITDA generated by the Group's activities in the USA (including the associates) in 2021 amounts to NIS 303 million.

NOTE 28 - CONTINGENT LIABILITIES AND COMMITMENTS DURING AND SUBSEQUENT TO THE REPORTING PERIOD

A. Lawsuits and other contingent liabilities

1. In November 2017, a petition was filed with the Tel Aviv-Jaffa District Court for certification of a derivative claim on behalf of Oil Refineries Ltd. (hereinafter – "Bazan" and the "Petition", respectively) by a Bazan shareholder. The Petition is based on the petitioner's claim that the engagement in the electricity purchase transaction between Bazan and Rotem is an extraordinary interested party transaction that did not receive the approval of the general meeting of Bazan shareholders on the relevant dates. The respondents to the Petition include Bazan, Rotem, Israel Corporation Ltd. and members of Bazan's board of directors at the time of the engagement in the electricity purchase transaction. The remedies sought include a mandatory injunction and financial remedies.

   In July 2018, the Company submitted its response to the motion. The Company rejected the claims made in the motion. In August 2022, after the approval by the relevant organs in the Company, a settlement agreement was filed with the court for approval. In February 2023, the Court handed down a judgment that approves the settlement agreement. The settlement amount, which is immaterial to the Company, was recognized in full in prior periods and does not affect the Company's operating results in the reporting period.

2. In January 2018, a petition was filed with the District Court in Tel Aviv-Jaffa for certification of a derivative claim (hereinafter in this Section – the "Petition") by a shareholder in Bazan against former and current directors of Bazan, Israel Chemicals Ltd., the Company, Rotem and Hadera, and against Israel Corporation Ltd and its controlling shareholders, regarding gas purchase transactions of the forgoing Group Companies, including the inter-company aspects, in a transaction of the Companies for the purchase of natural gas from Energean (for further information see Note 28C), aspects related to the method of approval by Bazan organs of the natural gas sales transaction from Tamar Group (for further information see Note 28C), and a transaction for sale of surplus gas to Bazan (in recent years, no such transactions were carried out). Under the Petition for certification of a derivative claim, the plaintiff petitions for declaratory relief as well as restitution of benefits which it claims were awarded to the respondents, while failing to quantify their value. Therefore, this derivative claim cannot be quantified. In August 2018, the Company submitted its response to the motion. The Company rejected the claims made in the motion. Evidentiary hearings were held in the second half of 2021. Closing statements on behalf of the Company were filed to the Court in November 2022. The Company believes that, based on the opinion of its legal counsel, it is more likely than not that the request will not be accepted by the court and, accordingly, no provision was recorded in the financial statements.

3. For several years, letters have been exchanged between Rotem and IEC regarding the tariff to be paid by Rotem to IEC for electricity that it had purchased from the electric grid, concerning the sale of electricity to private customers in cases where the electricity generation at the power plant is insufficient to meet the electricity needs of such customers. According to Rotem, the applicable tariff is the "ex-post" tariff, whereas according to IEC in the foregoing exchange of letters, the applicable tariff is the TAOZ tariff, and based on part of the correspondences a tariff that is 25% higher than the TAOZ tariff (and part of the correspondence also raise allegations of breach of the PPA with IEC). During the period, Rotem paid the IEC the TAOZ tariff for the foregoing purchase of electricity, as well as for purchasing electricity from the IEC to be sold to private customers. Rotem estimates that, based on the opinions of its legal counsel, it is more likely than not that Rotem will not pay any additional amounts, and therefore no provision for the additional amounts was included in the financial statements.

NOTE 28 - CONTINGENT LIABILITIES AND COMMITMENTS DURING AND SUBSEQUENT TO THE REPORTING PERIOD

A. Lawsuits and other contingent liabilities (cont.)

In previous years and in the reporting period, the IEC and System Operator have contacted Rotem in connection with open issues between the parties. In this regard, the IEC raised contentions regarding past accounting in respect of the energy purchase cost for Rotem customers in a case of a load reduction of the power plant by the System Operator, and collection differences due to non-transfer of meter data in 2013 through 2015, in amounts that are immaterial to the Company. In addition, the IEC stated its position with respect to additional matters in the arrangement between the parties relating to the acquisition price of surplus energy and the acquisition cost of energy by Rotem during performance of tests. Rotem’s position regarding the matters raised by the IEC, based on its legal counsels, is different and the parties held discussions in order to reach agreements.

In March 2022, a settlement agreement was signed between Rotem and IEC, under which Rotem paid the IEC a total of NIS 5.5 million in respect of some of the disputes between the parties. The said settlement agreement is in line with the Company’s estimates and the provisions that were made. It should be noted that the Settlement Agreement does not constitute a settlement or waiver of the claims of the parties and/or the System Operator regarding other existing or future open issues, including in relation to current open issues under dispute with the System Operator as of the report date, which mainly relate to the sale of electricity by Rotem to end consumers beyond the power plant’s capacity, and the piping of surplus energy without coordination with the System Operator. In the opinion of Rotem’s management, whose position regarding the said disputes is different to that of the System Operator, the issue is expected to be impacted by complementary arrangements that the Israeli Electricity Authority is expected to make a decision on, and specifically the award of a supplier license to Rotem (a hearing regarding which was published subsequent to the report date). A final decision on the hearing has not yet been made. These disputes (if not resolved) might have an adverse effect on the manner by which Rotem is operated and on its operating results, and/or lead to instigation of legal and/or other proceedings. As at the report approval date, the results of the hearing are not yet clear (if it will be promoted) and Rotem is unable to assess the impact of the aforesaid, if any, on its financial statements.

4. In January 2016, an agreement was signed between Hadera and SerIDOM Servicios Integrados IDOM, SAU (hereinafter in this Section - the "Construction Contractor”) for the design, engineering, purchase and construction of a cogeneration power plant for consideration in an amount equivalent to an estimated total of NIS 639 million (as amended several times as part of additions and modification orders), which is payable on the basis of the progress of construction and compliance with milestones (hereinafter - the "Construction Agreement"). The Construction Contractor provided Hadera with bank guarantees (in various currencies), which as at the report date amounts to a total of NIS 123 million, and a corporate guarantee of the parent company to secure these obligations and the Company provided the Construction Contractor with a corporate guarantee in the amount of USD 10.5 million to secure the full obligations of Hadera under the Construction Agreement.

NOTE 28 - CONTINGENT LIABILITIES AND COMMITMENTS DURING AND SUBSEQUENT TO THE REPORTING PERIOD (cont.)

A. Lawsuits and other contingent liabilities (cont.)

On July 1, 2020, the commercial operation date of the Hadera Power Plant commenced, after a delay in power plant's completion of construction as a result of, among other things, components replaced or repaired.

Pursuant to the Construction Agreement, Hadera is entitled to receive agreed compensation from the Construction Contractor for the delay in completion of the construction of the Hadera Power Plant (hereinafter - the "Compensation for Delay in Delivery of the Power Plant" or "LDS") or compensation (limited to the amount of the limit set in the Agreement) in the event of failure to comply with the terms set out in the Agreement with regard to the Power Plant performance (hereinafter - "Compensation for Power Plant Performance"). The said compensation is capped by the amounts specified in the construction agreement, and up to an aggregate gap of USD 36 million. Furthermore, according to the Construction Agreement, Hadera has a contractual right to deduct any amount due to it under the Construction Agreement, including for the foregoing compensation, from any amounts that it owes to the construction contractor. Accordingly, as of the report date, Hadera offset a total of USD 14 million from amounts payable to the construction contractor in respect of the last milestones. It should be noted that the construction contractor (who instigated arbitration proceedings against Hadera in September 2021) claims that Hadera does not have any cause for charging the amounts specified in the agreement in respect of LDs and due to non-compliance with conditions set out in the agreement in connection with the performance of the power plant (including by way of offsetting). In addition, the construction contractor claims he is entitled to consideration of EUR 7 million and that he may reduce the guarantee provided (as at the report date, the guarantee is valid until June 2023). As at the report date, the construction contractor raised another allegation that he is entitled to a final acceptance certificate in relation to completion of the construction of the power plant. As of the approval date of the report, an arbitration proceeding is conducted between Hadera and the construction contractor; a hearing was scheduled for June 2024. It should be noted that there is no certainty as to the amount of compensation Hadera will receive, if any, at the conclusion of the arbitration proceeding. Moreover, there is no certainty as to the offset made by Hadera.

5. In addition to Sections A1-A4 above, commercial, and other claims were filed against the Group companies during the ordinary course of business, each of which is immaterial and, as at the report date, cumulatively amount to NIS 12 million.

6. The Group companies usually record provisions for claims which, in their management's opinion, based on their legal counsels, will more likely than not materialize. The provision is made according to an estimate of the expected amounts of the payments for settlement of the liability. As at the report date, additional exposure for which there is no provision amounts to NIS 7 million (excluding the derivative claim described in Section A2 above).

NOTE 28 - CONTINGENT LIABILITIES AND COMMITMENTS DURING AND SUBSEQUENT TO THE REPORTING PERIOD (cont.)

B. Maintenance and service agreements

1. Rotem service agreement

On June 27, 2010, Rotem entered into an agreement with Mitsubishi[8] for the long-term maintenance of Rotem Power Plant, from the date on which commercial operation commenced, for an operating period of 100 thousand work hours or up to the date on which 8 scheduled maintenance services are completed on the gas turbine (which the Company estimates to be 12 years of the Rotem Power Plant's commercial date of operation), at a cost of about EUR 55 million (as of the signing date of the agreement), payable over the period based on the formula provided in the agreement (hereinafter in this section – the "Maintenance Agreement"). Under the Maintenance Agreement, Mitsubishi will perform maintenance work on the main components of Rotem Power Plant, comprising the gas turbine, the steam turbine, and the generator. In addition, Mitsubishi will supply new or refurbished spare parts, as necessary. It is noted that the Maintenance Agreement covers scheduled maintenance work and that, as a rule, Rotem will be charged separate additional amounts for any unscheduled or additional work, if required.

The Maintenance Agreement includes Mitsubishi's guarantees with regard to the performance of the Rotem Power Plant. Mitsubishi undertook to compensate Rotem in the event of failure to comply with the foregoing guarantees, subject to the terms and provisions of the agreement, and Rotem undertook to pay Mitsubishi to for improvement in the performance of Rotem Power Plant resulting from the maintenance work; all this – up to an annual maximum limit, as set out in the Maintenance Agreement.

2. Hadera service agreement

In June 2016, Hadera entered into in a long-term service agreement with two companies of the GE Group [9](hereinafter in this section – the "Service Agreement"), under which they will carry out maintenance work in the key components of the Hadera Power Plant, which include the two gas turbines, generators and some of their auxiliary equipment, for a period commencing on the date of commercial operation, until the earlier of: (a) the date on which all of the covered units (as defined in the Service Agreement) will have reached the end-date of their activity and (b) 25 years from the date of signing the Service Agreement. The cost of the Service Agreement is estimated at USD 42 million (as at the agreement signing date) (linked to various indexes), payable over the term of the Agreement, based on the formula set in the Agreement.

The Service Agreement includes a warranty for reliability and other obligations concerning the performance of the power plant and indemnification to Hadera in the event of failure to meet the performance obligations, subject to the terms and provisions provided for, and on the other hand, Hadera undertook to pay bonuses in the event of improvement in the performance of the power plant as a result of the maintenance work, up to a cumulative maximum limit for each inspection period.

The Service Agreement includes guarantees provided by the Parent Company to secure each of the parties' undertakings.

[8] Mitsubishi Heavy Industries Ltd. (which on June 24, 2014, was assigned to Mitsubishi Hitachi Power Systems Ltd. and on March 31, 2016, to Mitsubishi Hitachi Power Systems Europe Ltd.)
[9] General Electric International Inc and with GE Global Parts & Products GmbH.

NOTE 28 - CONTINGENT LIABILITIES AND COMMITMENTS DURING AND SUBSEQUENT TO THE REPORTING PERIOD (cont.)

B. Maintenance and service agreements (cont.)

3. Zomet service agreement

In December 2019, Zomet signed a long-term service agreement (hereinafter – the "Zomet Maintenance Agreement") with PW Power Systems LLC (hereinafter – "PWPS"), for providing maintenance servicing for the Zomet Power Plant, for a period of 20 years commencing from the date of delivery of the plant. The cost of the service agreement is part of the estimated total consideration for the agreement with the construction contractor of the Zomet Power Plant, as outlined in Note 10E1. Zomet may terminate the Zomet Maintenance Agreement after a period of 5 years from the power plant's delivery date. The Zomet Maintenance Agreement provides a general framework for provision of maintenance services by PWPS for the generation units and additional equipment on the site during the Agreement term (hereinafter, in this Section – the "**Equipment**"). Zomet is responsible for the current operation and maintenance of the Equipment. Pursuant to the terms and conditions of the agreement, PWPS will provide Zomet with ongoing services, including, among others, an annual inspection of the Equipment and engineering support, with a representative of PWPS being present onsite during the first 18 months of the operation. In addition, the agreement includes providing the Company with access to PWPS leasable equipment, and in case of interrupted production, PWPS will provide the Company with a replacement engine, pursuant to the terms and conditions and for the amounts set forth in the agreement. The agreement includes a mechanism for the performance of the replacement generator. Pursuant to the terms and conditions of the agreement and with the Zomet Power Plant being a peaker plant, other maintenance services, in addition to those set forth in the agreement, will be purchased based on work orders, i.e., the services will be provided by PWPS in accordance with the prices that will be agreed upon, or with respect to certain services - based on the prices stipulated in the agreement.

4. Sorek 2 Maintenance Agreement

In June 2021, Sorek 2 entered into a long-term agreement with an international vendor (hereinafter - the "Vendor") for the maintenance of the turbine and its related equipment; the term of the agreement is 16 years with an option to renew by 25 years, in return for up to approximately USD 29 million (as of the signing of the Agreement), in accordance with the term of the Agreement, subject to the milestones set in the agreement (hereinafter in this section - the "Maintenance Agreement"). The Maintenance Agreement includes provisions regarding agreed and capped compensation in respect of execution and meeting timetables for servicing, and regarding the Vendor's responsibility for its equipment and services.

The Maintenance Agreement includes guarantees provided by the Parent Company to secure each of the parties' undertakings.

It should be noted that the above agreements require, among other things, the approval of the Water Desalination Administration, in accordance with and as required pursuant to the concession agreement signed between IDE and the State of Israel in connection with the desalination facility and the project, as outlined in Note 10E(1)b.

NOTE 28 - CONTINGENT LIABILITIES AND COMMITMENTS DURING AND SUBSEQUENT TO THE REPORTING PERIOD (cont.)

C. Agreements for the acquisition of natural gas

1. Agreement between Tamar Group and Rotem

In November 2012, Rotem entered into an agreement with the Tamar Group (as amended from time to time)[10] in connection with the supply of natural gas to the power plants (hereinafter in this section - the "Agreement"). The Agreement will remain in effect until September 2029. Furthermore, if 93% of the Total Contractual Quantity is not consumed, both parties have the right to extend the agreement by the earlier between consumption of the full contractual quantity or two additional years. The Total Contractual Quantity under the Agreement amounts to 10.6 BCM. The financial amount of the agreement (as estimated by Tamar Group upon signing of the agreement) is USD 2.5 billion. This estimated amount does not take into account the reduction of quantities and later amendments.

Certain annual quantities in the Agreement between Tamar Group and Rotem are subject to a Take or Pay (TOP) obligation, based on a mechanism set out in the Agreement. Under the Agreement, under certain circumstances if payment is made for a quantity of natural gas that is not actually consumed or a quantity of gas over and above the TOP amount is purchased, Rotem may, subject to the restrictions and conditions set out in the Agreement, accumulate this quantity, for a limited time, and use it within the framework of the Agreement. The Agreement includes a mechanism that allows, under certain conditions, these rights to be assigned to related parties for quantities that were not consumed, up to close to their expiration date. In addition, Rotem may sell surplus gas under a secondary sale, subject to conditions set in the agreement. In addition, Rotem was granted an option, exercisable in 2020-2022, to reduce the daily contractual amount to a certain rate set in the agreement, with the material arrangements set between the parties in that context being as follows: (a) The option granted to Rotem to reduce the minimum annual contractual quantity was changed under a 2019 amendment, such that after the option is exercised and after the exercise notice period it is expected that the minimum annual contractual quantity in Rotem will be reduced to 40% of the average annual own consumption of gas from Tamar in the three years that preceded the option exercise notice, subject to adjustments provided for in the agreement and assuming the expected gas consumption amount (see below details regarding delivering the reduction notice to Tamar in May 2022; (b) Rotem undertook to continue to consume all the gas required for its power plant from Tamar (including quantities exceeding the minimum quantities) up to the commercial operation date of the Karish Reservoir, except for a limited consumption of gas during the commissioning period of the Karish Reservoir.

Pursuant to the Agreement, the price of gas is based on a base NIS price that was fixed on the date of signing the Agreement, linked to changes in the generation component tariff, which is part of the TAOZ, and in part (30%) to the representative USD exchange rate. In addition, the natural gas price formula set in the Agreement between Tamar Group and Rotem is subject to a minimum price in USD.

In May 2022, Rotem served Tamar with a notice regarding the reduction of some of the quantities purchased under the Agreement, which will take place at the end of a 12-month period (late May 2023), further to Rotem's engagement in an amendment to the agreement with Energean of May 2022 (for details, see Note 28C3 below). At the end of the notice period regarding the reduction of quantities by virtue of the agreement and subject to start natural gas acquisition under the Energean agreement, the quantities of natural gas acquired from the Tamar Group will decrease significantly.

[10] To the best of the Company's knowledge, as at the Report date, the Tamar Group includes Isramco Negev 2 Limited Partnership, Chevron Mediterranean Ltd., Tamar Investment 1 RSC Limited, Tamar Investment 2 RSC Limited, Dor Gas Exploration Limited Partnership, Everest Infrastructure Limited Partnership and Tamar Petroleum Ltd.

NOTE 28 - CONTINGENT LIABILITIES AND COMMITMENTS DURING AND SUBSEQUENT TO THE REPORTING PERIOD (cont.)

C. Agreements for the acquisition of natural gas (cont.)

2. Agreement between the Tamar Group and Hadera

Hadera has a natural gas supply agreement with the Tamar Group (hereinafter in this section - the “Agreement”). The Agreement between Tamar and Hadera will end 15 years after the commencement of supply from the Tamar Reservoir (April 2013), or at the end of the consumption of the overall contractual quantities, the earlier of the two. Furthermore, if 91.5% of the Total Contractual Quantity is not consumed, both parties have the right to extend the agreement by the earlier between consumption of the full contractual quantity or two additional years. The price of gas is denominated in USD, is linked to the weighted average of the generation component published by the Israeli Electricity Authority and includes a minimum price. The total financial amount of the agreement, as estimated upon signing the agreement may reach USD 7.0 billion (assuming consumption of the total basic quantity).

According to the agreement, Tamar has an obligation to supply all of the quantities included in the agreement; on the other hand, Hadera has a TOP commitment regarding a certain annual quantity of natural gas. Hadera was given the option to reduce some of the daily contractual quantity to a certain rate (as set out in the agreement), and the material arrangements included in this context in an amendment to the agreement of 2019 are as follows: (a) The option granted to Hadera to reduce the minimum annual contractual quantity was changed, such that - after exercise of the option, once the notice period will have ended - it is expected that the minimum annual contractual quantity in Hadera will be reduced to 30% of the average annual own consumption of gas from Tamar in the three years that preceded the option exercise notice, subject to adjustments provided for in the agreement and assuming the expected gas consumption amount; (b) Hadera undertook to continue to consume all the gas required for its power plant from Tamar (including quantities exceeding the minimum quantities) up to the commercial operation date of the Karish Reservoir, except for a limited consumption of gas during the commissioning period of the Karish Reservoir; (c) Extension of the time frame for giving the exercise notice regarding the reduction option by Hadera from the end of 2020 to the end of 2022 and shortening the notice period for reduction of the quantities in the Hadera agreement to 8 months. In February 2020, and in accordance with the amendment signed between the parties, Hadera gave notice of the date from which the average quantity will be calculated for purposes of calculating the reduced quantities, subject to adjustments as described above.

Further to Hadera’s engagement in an amendment to the agreement with Energean of May 2022, as stated in Note 28C3, in June 2022, Hadera served Tamar with a notice regarding the reduction of quantities as stated above (hereinafter – the ”Reduction Notice”), and the reduction came into force in March 2023, following on Hadera’s entering into an amendment to the agreement with Energean dated May 2022, as outlined in Note 28C3. As of the approval date of the financial statements, the final scope of reduction by Hadera has not yet been determined and is being discussed with the Tamar Group. The Company expects that, upon and subject to the commercial operation of the Karish Tanin Reservoir and the acquisition of natural gas, in accordance with the Energean Transaction, the quantity and purchase cost of natural gas from the Tamar Group will drop. For information about the Energean agreements, including arrangements at the end of the reduction period, see Note 28C3. In addition, it is noted that the Company has contacted Tamar regarding the Reduction Notice in order to conclude that which is stated in subsegment (b) above.

NOTE 28 - CONTINGENT LIABILITIES AND COMMITMENTS DURING AND SUBSEQUENT TO THE REPORTING PERIOD (cont.)

C. Agreements for the acquisition of natural gas (cont.)

In addition, in September 2016, Hadera and Tamar Group engaged in an additional agreement for the sale and purchase of gas (hereinafter in this section - the "Additional Agreement"). The additional agreement shall be in effect for up to 15 years from January 2019 or until the Total Contractual Quantity has been consumed – whichever is first. The gas price is denominated in dollars and linked to the weighted average of the generation component published by the Israeli Electricity Authority, and includes a minimum price. Supply of the gas in accordance with the additional agreement, is on an interruptible basis; i.e., Tamar Group will not be obligated to supply the gas quantity requested. At the same time, the Tamar Group may decide over the course of the engagement, that the supply will be on a non-interruptible basis, which will require it to supply the amounts requested by Hadera. In the event of such a resolution and as of the date of the Change in Supply Mechanism, Hadera will be subject to a TOP liability regarding a certain annual quantity of natural gas, in accordance with the mechanism set in the additional agreement. Hadera has an early termination right in respect of the additional gas agreement under certain circumstances that were set. Accordingly, in June 2022, Hadera informed Tamar Group of such early termination, which is to come into force after 12 months, and in accordance with the additional agreement is expected to terminate on June 30, 2023.

3. The Energean Agreements

In December 2017, Rotem, Hadera, Israel Chemicals Ltd. and Bazan Ltd. (hereinafter – the "Group Companies") engaged in agreements with Energean Israel Ltd. (hereinafter – "Energean"), which has holdings in the Karish Reservoir, for the purchase natural gas. The agreements with respect to each of the Group Companies are separate and independent. According to the terms of the agreements, the total original basic natural gas quantities that Rotem and Hadera are expected to purchase are 5.3 BCM and 3.7 BCM, respectively (hereinafter – the "Total Contractual Quantity"). For information about the increase in the Total Basic Contractual Quantity, see below in this section. The agreement includes, among other things, a TOP mechanism, whereby Rotem and Hadera undertake to pay for a minimum quantity of natural gas even if they have not used it.

Furthermore, the agreements include additional provisions and arrangements customary in agreements for the purchase of natural gas, including with regard to maintenance, gas quality, limitation of liability, buyer and seller collateral, assignments and liens, dispute resolution and operating mechanisms.

In accordance with the regulation, the Company is required to provide guarantees under certain conditions that were set in the agreement, including a downgrading of the rating that was set, and a decrease in the value of the quantities consumed in the gas consumption days in accordance with the contractual quantity set in the agreement.

NOTE 28 - CONTINGENT LIABILITIES AND COMMITMENTS DURING AND SUBSEQUENT TO THE REPORTING PERIOD (cont.)

C. Agreements for the acquisition of natural gas (cont.)

Until the amendment of the agreements with Energean in November 2019, it was stipulated that the agreements will remain in effect until the earlier of: 15 years or until the Total Contractual Quantity will have been supplied by Energean to each of the subsidiaries (Rotem and Hadera) (hereinafter – the "First Agreement Period"), where the commencement date of the agreement will be no later than 12 months from the date Energean pumps its first gas (hereinafter - the "**Karish Commercial Operation Date**"). Under each of the Agreements, if 14 years from Karish's Commercial Operation Date will have elapsed and the contracting company has not taken a volume equivalent to 90% of the Total Contractual Quantity, subject to prior notice, each party may extend the agreement for an additional period which will begin at the end of 15 years from the date the agreement took effect, until the earlier of: (1) full consumption of the Total Contractual Quantity; or (2) for an additional 3 years from the end of the first agreement period.

As part of an amendment to Rotem and Hadera's Energean agreements of 2019, the rate of gas consumption by Rotem was accelerated, such that Rotem's daily and annual contractual gas consumption from Energean was increased by 50%, with no change in the Total Contractual Quantity being purchased from Energean. Accordingly, the agreement period was updated to the earlier of 10 years or until the Total Contractual Quantity will have been consumed (in lieu of the earlier of 15 years or until the Total Contractual Quantity will have been consumed) (hereinafter - the "Additional Agreement Term").

It should be noted that the agreements with Energean include circumstances under which each party to the agreements will be entitled to terminate the relevant agreement before the end of the First Agreement Period (or the additional agreement period), including cases of prolonged suspension of supply, compromised collateral, and more.

The price of the natural gas in the agreements with Energean is denominated in USD and is based on an agreed formula, which is linked to the Electricity Generation Component and includes a minimum price. The original total financial amount of the agreements was estimated at USD 1.3 billion (assuming consumption of the total basic quantity and in accordance with the original agreements and in accordance with the gas price formula as of the agreement date); it depends mainly on the electricity generation component, the increase of the quantities as specified below and the volume of gas consumed.

During 2021, Rotem and Hadera were paid the reduced compensation amount in respect of the delay in the supply of gas from the Karish Reservoir - NIS 9 million (approximately USD 3 million) and NIS 7 million (approximately USD 2 million), respectively. The said amount was offset from the cost of goods sold. In addition, Rotem and Hadera informed Energean that they reject its claims of a force majeure and that they were retaining their rights in accordance with their agreements.

NOTE 28 - CONTINGENT LIABILITIES AND COMMITMENTS DURING AND SUBSEQUENT TO THE REPORTING PERIOD (cont.)

C. Agreements for the acquisition of natural gas (cont.)

3. The Energean Agreements (cont.)

In May 2022, an amendment to the Energean Agreements was signed, which set out, among other things, arrangements pertaining to bringing forward the reduction of the quantities of gas purchased under Rotem and Hadera's natural gas agreements with the Tamar Group and the following arrangements:

As outlined in Note 28C1 and Note 28C2, in accordance with the Tamar Agreements, Rotem and Hadera may give the Tamar Group notice by December 31, 2022 regarding the reduction of part of the contractual minimum quantity of gas to be purchased, in accordance with the formulae set in the Tamar Agreements (hereinafter - the "Reduction Notice"); such reduction will come into force at the end of the period set in Rotem and Hadera's agreements with the Tamar Group (12 and 8 months, respectively) (hereinafter - the "Actual Reduction Date"). In accordance with the Energean Agreements, Rotem and Hadera shall issue the Reduction Notice by the date on which piping of gas from the Karish Reservoir will commence after the end of the running in period (hereinafter - the "Commercial Operation Date"). As part of the May 2022 amendment, it was decided that Rotem and Hadera will issue their respective Reduction Notices under the Tamar Agreements (as described in Note 28C1 and Note 28C2) within 30 days of the amendment date. It was further determined in the amendment that as from the Commercial Operation Date and through the Actual Reduction Date, Rotem and Hadera will have a TOP undertaking regarding a certain quantity of natural gas, and at the same time account settling arrangements were put in place in connection with the bringing forward of the Reduction Notice, and in connection with Rotem and Hadera's purchase of gas from alternative sources if the Commercial Operation Date does not take place by the Actual Reduction Date. In addition, the amendment includes an option that may be exercised until the end of 2022 to purchase further immaterial quantities of natural gas from Energean under the terms of the agreement between Energean and Rotem. The amendment sets up further provisions, including, among other things, regarding waiver of assertions and claims in relation to the period prior to the amendment; the amendment also revises the circumstances and defers the dates on which the parties may terminate the Energean Agreements early due to a deferral of the Commercial Operation Date.

It is noted that, in August 2022, Rotem and Hadera informed Energean regarding the increase of the contractual gas quantity under the original terms and conditions of the Energean agreements (the increase does not constitute exercise of the above option, which is exercisable by the end of 2022). It is clarified that increasing the contractual quantity increases the TOP commitment under the agreements.

In November 2022, Rotem served Energean with a notice of the exercise of the option to acquire an additional immaterial quantity, as set out in the amendment to the agreement with Energean. In January 2023, Energean announced that the commissioning process is expected to be completed in February 2023. As of the approval date of the financial statements, Energean informed Hadera of the completion of the commissioning process under the Hadera Agreement on February 28, 2023; it also informed Rotem of the completion of the commissioning process under the Rotem Agreement as of March 25, 2023 and the commercial operation as of March 26, 2023.

NOTE 28 - CONTINGENT LIABILITIES AND COMMITMENTS DURING AND SUBSEQUENT TO THE REPORTING PERIOD (cont.)

D. Acquisition of the Kiryat Gat Power Plant

In the reporting period, the Company entered, through a wholly owned subsidiary - OPC Power Plants (hereinafter - the "Acquirer"), together with Dor Alon Energy in Israel (1988) Ltd. (hereinafter - "Dor Alon"), and Dor Alon Gas Power Plants Limited Partnership (hereinafter jointly: the "Seller") into an agreement for the purchase of all rights in a power plant located in the Kiryat Gat Industrial Zone (hereinafter - the "Acquisition Agreement").

In accordance with the terms of the Acquisition Agreement, including adjustments made thereto, the Acquirer will acquire the sold rights in consideration for NIS 870 million (hereinafter - the "Consideration"), which will be paid on the transaction completion date except for a total of NIS 300 million that will be paid by December 31, 2023. The purchase amount as stated above shall be subject to additional adjustments in accordance with the provisions of the acquisition agreement, specifically cash balances and working capital,

As of the approval date of the financial statements, the completion of the transaction is subject to the fulfillment of conditions precedent on the dates set in the Acquisition Agreement and through March 31, 2023. As of the approval date of the financial statements, all of the conditions precedent have yet to be met.

In September 2022, the Company - through OPC Natural Gas LP - entered into agreements to sell natural gas to a corporation from the Dor Alon Group, including a binding agreement for the sale of natural gas, in the quantities of up to 0.1 BCM per year, and under the terms and conditions agreed upon (which include, inter alia, a TOP mechanism), for a period of five years from the commercial operation date of the Karish Reservoir. The agreement may be terminated or terminated early under certain specified circumstances between the parties.

NOTE 29 - SUBSEQUENT EVENTS

A. In January 2023, the share exchange and investment transaction entered into in May 2022 by the Company and a wholly owned subsidiary of the Company - OPC Israel - with Veridis - was completed. As of the date on which the transaction was entered into, Veridis held 20% of the issued and paid-up share capital of Rotem and Rotem 2 (hereinafter jointly - the "Rotem Companies"), and the Company held the remaining (80%) of the issued and paid up share capital of the Rotem Companies (directly or indirectly).

To execute the outline agreed between the parties, the Company established a new subsidiary, OPC Israel, which - as of the approval date of the financial statements - coordinates all of the Company's activities relating to the production and supply of electricity and energy in Israel. For this purpose, in January 2023, on the eve of the Transaction Completion Date, the Company has transferred to OPC Israel, among other things, the shares of OPC. Power Plants, the holdings in Rotem 2, the holdings in Gnrgy, as well as other companies and operations in the area of activity in Israel, such as energy generation facilities on consumers' premises, virtual electricity supply activity, and more (hereinafter - the "Transferred Activities").

Furthermore, on the transaction completion date, Veridis transferred to OPC Israel a cash investment amount of NIS 452 million (after adjustments to the transaction's original amount of NIS 425 million). Veridis was allocated 20% of the issued share capital of OPC Israel against the transfer of Veridis' shares and rights in the Rotem Companies as stated above, and against the transfer of the investment amount to OPC Israel as stated above.

It should be noted that a total of NIS 400 million out of the investment amount was used by Rotem to repay (pro rata) part of the shareholders' loan extended by the Company and Veridis to Rotem in 2021 (for more information, see Note 25D2) to the annual financial statements; furthermore, a shareholders' agreement was signed between the Company and Veridis, which regulates their relationship in OPC Israel.

In addition, as part of the Transaction, arrangements were put in place regarding guarantees that the Company provided and/or will provide in favor of the activities transferred to OPC Israel, which include, among other things, steps taken by the parties to transfer the guarantees to OPC Israel or Veridis, in accordance with its proportionate share, as well as indemnity arrangements in respect of such guarantees that will be retained by the Company. In addition, the parties take steps to complete actions in connection with the financing agreements of the Zomet and Hadera power plants, and in connection with adapting the said agreements to the holdings structure after the completion of the investment transaction. As of the report date, this process has not yet been completed.

B. In January 2023, CPV Group (through a 100%-held corporation) entered into an agreement for the acquisition of all rights (100%) in four active wind energy power plants with an aggregate capacity of 81.5 MW located in Maine, New England USA (hereinafter in this subsection - the "Projects"). In consideration for all of the seller's rights in the Projects, on the transaction completion date CPV Group will pay USD 172 million in cash, which is subject to adjustments as of the transaction completion date (adjustments in accordance with the provisions of the acquisition agreement, including to the cash and working capital balances). It should be noted that the execution of the acquisition and the completion of the transaction are subject to conditions precedent that have not yet been fulfilled as of the approval date of the financial statements.

NOTE 30 - ATTACHMENT OF FINANCIAL STATEMENTS OF MATERIAL ASSOCIATES

Valley

Statement of Financial Position

		As at December 31, 2022		
		US GAAP	Adjustments	IFRS
		In USD thousand	In USD thousand	In USD thousand
Property, plant & equipment	A, C, D	786,365	(165,597)	**620,768**
Intangible assets	D	20,604	(20,604)	-
Other assets		116,963	-	**116,963**
Total assets		923,932	(186,201)	**737,731**
Accounts payable and deferred expenses	A	31,775	(1,409)	**30,366**
Other liabilities		518,259	-	**518,259**
Total liabilities		550,034	(1,409)	**548,625**
Partners' equity	A, C	373,898	(184,792)	**189,106**
Total liabilities and equity		923,932	(186,201)	**737,731**

		As at December 31, 2021		
		US GAAP	Adjustments	IFRS
		In USD thousand	In USD thousand	In USD thousand
Property, plant & equipment	A, C, D	811,284	(188,193)	**623,091**
Intangible assets	D	10,332	(10,332)	-
Other assets		118,188	-	**118,188**
Total assets		939,804	(198,525)	**741,279**
Accounts payable and deferred expenses	A	40,493	(1,421)	**39,072**
Other liabilities		583,413	-	**583,413**
Total liabilities		623,906	(1,421)	622,485
Partners' equity	A,C	315,898	(197,104)	**118,794**
Total liabilities and equity		939,804	(198,525)	**741,279**

NOTE 30 - ATTACHMENT OF FINANCIAL STATEMENTS OF MATERIAL ASSOCIATES (cont.)

Valley

Statements of income and other comprehensive income:

		For the year ended December 31, 2022		
		US GAAP	Adjustments	IFRS
		In USD thousand	In USD thousand	In USD thousand
Revenues		405,548	-	**405,548**
Operating expenses	A	296,645	(5,603)	**291,042**
Depreciation and amortization	C	25,714	(6,709)	**19,005**
Operating profit		83,189	12,312	**95,501**
Finance expenses	B	32,913	(6,546)	**26,367**
Profit for the year		50,276	18,858	**69,134**
Other comprehensive income - interest rate swaps	B	7,724	(6,546)	**1,178**
Comprehensive income for the year		58,000	12,312	**70,312**

		For the year ended December 31, 2021		
		US GAAP	Adjustments	IFRS
		In USD thousand	In USD thousand	In USD thousand
Revenues		150,647	-	**150,647**
Operating expenses	A	171,571	(4,872)	**166,699**
Depreciation and amortization	C	25,714	(6,277)	**19,437**
Impairment of property, plant & equipment	C	-	219,302	**219,302**
Operating loss		(46,638)	(208,153)	**(254,791)**
Finance expenses	B	31,806	(5,052)	**26,754**
Loss for the year		(78,444)	(203,101)	**(281,545)**
Other comprehensive income - interest rate swaps	B	8,762	(5,052)	**3,710**
Comprehensive loss for the year		(69,682)	(208,153)	**(277,835)**

NOTE 30 - ATTACHMENT OF FINANCIAL STATEMENTS OF MATERIAL ASSOCIATES (cont.)

Valley

Material adjustments to the statement of cash flows

		For the year ended December 31, 2022		
		US GAAP	Adjustments	IFRS
		In USD thousand	In USD thousand	In USD thousand
Profit for the year	A, B, C	50,276	18,858	**69,134**
Net cash from operating activities		62,497	-	**62,497**
Net cash provided by (used in) investing activities	E	(11,226)	19,571	**8,345**
Net cash used in financing activities		(69,934)	-	**(69,934)**
Net increase (decrease) in cash and cash equivalents		(18,663)	19,571	**908**
Cash and cash equivalents balance at the beginning of the year	E	98	180	**278**
Restricted cash balance at beginning of the year	E	76,390	(76,390)	-
Cash and cash equivalents balance at the end of the year	E	145	1,041	**1,186**
Restricted cash balance at end of the year	E	57,680	(57,680)	-

		For the year ended December 31, 2021		
		US GAAP	Adjustments	IFRS
		In USD thousand	In USD thousand	In USD thousand
Loss for the year	A, B, C	(78,444)	(203,101)	**(281,545)**
Net cash from operating activities		16,448	-	**16,448**
Net cash from investing activities	E	(342)	11,156	**10,814**
Net cash used in financing activities		(27,407)	-	**(27,407)**
Net increase (decrease) in cash and cash equivalents		(11,301)	11,156	**(145)**
Cash and cash equivalents balance at the beginning of the year	E	89	335	**424**
Restricted cash balance at beginning of the year	E	87,700	(87,700)	-
Cash and cash equivalents balance at the end of the year	E	98	181	**279**
Restricted cash balance at end of the year	E	76,390	(76,390)	-

NOTE 30 - ATTACHMENT OF FINANCIAL STATEMENTS OF MATERIAL ASSOCIATES (cont.)

Fairview

Statement of Financial Position

		As of December 31, 2022		
		US GAAP	**Adjustments**	**IFRS**
		In USD thousand	**In USD thousand**	**In USD thousand**
Property, plant & equipment	A, D	839,665	45,684	**885,349**
Intangible assets	D	27,624	(27,624)	-
Other assets		152,461	-	**152,461**
Total assets		1,019,750	18,060	**1,037,810**
Accounts payable and deferred expenses	A	38,800	(6,354)	**32,446**
Other liabilities		533,630	700	**534,330**
Total liabilities		572,430	(5,654)	**556,776**
Partners' equity	A	447,320	23,714	**471,034**
Total liabilities and equity		1,019,750	18,060	**1,037,810**

		As of December 31, 2021		
		US GAAP	**Adjustments**	**IFRS**
		In USD thousand	**In USD thousand**	**In USD thousand**
Property, plant & equipment	A, D	864,620	38,034	**902,654**
Intangible assets	D	28,494	(28,494)	-
Other assets		191,049	-	**191,049**
Total assets		1,084,163	9,540	**1,093,703**
Accounts payable and deferred expenses	A	29,021	(6,623)	**22,398**
Other liabilities		703,927	980	**704,907**
Total liabilities		732,948	(5,643)	727,305
Partners' equity	A	351,215	15,183	**366,398**
Total liabilities and equity		1,084,163	9,540	**1,093,703**

NOTE 30 - ATTACHMENT OF FINANCIAL STATEMENTS OF MATERIAL ASSOCIATES (cont.)

Fairview

Statements of income and other comprehensive income:

	For the year ended December 31, 2022			
	US GAAP	Adjustments to IFRS	Adjustments to the Group's accounting policies*	IFRS according to the Group's accounting policies
	In USD thousand	In USD thousand	In USD thousand	In USD thousand
Revenues	450,906	-	**(76,939)**	**373,967**
Operating expenses	345,546	(8,251)	**(76,939)**	**260,356**
Operating profit	105,360	8,251	-	**113,611**
Finance expenses	21,065	(6,360)	-	**14,705**
Profit for the year	84,295	14,611	-	**98,906**
Other comprehensive income - interest rate swaps	21,810	(6,080)	-	**15,730**
Comprehensive income for the year	106,105	8,531	-	**114,636**

	For the year ended December 31, 2021			
	US GAAP	Adjustments to IFRS	Adjustments to the Group's accounting policies*	IFRS according to the Group's accounting policies
	In USD thousand	In USD thousand	In USD thousand	In USD thousand
Revenues	257,669	-	**(39,576)**	**218,093**
Operating expenses	226,094	(8,350)	**(39,576)**	**178,168**
Operating profit	31,575	8,350	-	**39,925**
Finance expenses	30,642	(4,925)	-	**25,717**
Profit for the year	933	13,275	-	**14,208**
Other comprehensive income - interest rate swaps	15,836	(4,645)	-	**11,191**
Comprehensive loss for the year	16,769	8,630	-	**25,399**

(*) Represents adjustments to the Group's accounting policies regarding presentation of hedging transactions on energy margins.

NOTE 30 - ATTACHMENT OF FINANCIAL STATEMENTS OF MATERIAL ASSOCIATES (cont.)

Fairview

Material adjustments to the statement of cash flows

		For the year ended December 31, 2022		
		US GAAP	Adjustments	IFRS
		In USD thousand	In USD thousand	In USD thousand
Profit for the year	A, B	84,295	14,611	**98,906**
Net cash from operating activities		140,040	-	**140,040**
Net cash provided by (used in) investing activities	E	(7,323)	31,299	**23,976**
Net cash used in financing activities		(166,965)	-	**(166,965)**
Net increase (decrease) in cash and cash equivalents		(34,248)	31,299	**(2,949)**
Cash and cash equivalents balance at the beginning of the year	E	78	4,330	**4,408**
Restricted cash balance at beginning of the year	E	72,663	(72,663)	**-**
Cash and cash equivalents balance at the end of the year	E	89	1,370	**1,459**
Restricted cash balance at end of the year	E	38,404	(38,404)	**-**

		For the year ended December 31, 2021		
		US GAAP	Adjustments	IFRS
		In USD thousand	In USD thousand	In USD thousand
Profit for the year	A, B	933	13,275	**14,208**
Net cash from operating activities		10,420	-	**10,420**
Net cash used in investing activities	E	(2,373)	(36,139)	**(38,512)**
Net cash used in financing activities		31,939	-	**31,939**
Net increase (decrease) in cash and cash equivalents		39,986	(36,139)	**3,847**
Cash and cash equivalents balance at the beginning of the year	E	51	510	**424**
Restricted cash balance at beginning of the year	E	32,704	(32,704)	**-**
Cash and cash equivalents balance at the end of the year	E	78	4,330	**4,408**
Restricted cash balance at end of the year	E	72,663	(72,663)	**-**

NOTE 30 - ATTACHMENT OF FINANCIAL STATEMENTS OF MATERIAL ASSOCIATES (cont.)

Below is information about the main adjustments in Valley and Fairview between US GAAP and IFRS:

A. Maintenance costs under the Long-Term Control Plan agreement: under IFRS (hereinafter - “LTCP”), variable payments which were paid in accordance with the milestones as set in the LTCP agreement are capitalized to the cost of property, plant and equipment and depreciated over the period from the date on which maintenance work was carried out until the date on which maintenance work is due to take place again. Under US GAAP, the said payments are recognized as expenses on the maintenance work’s execution date, and recognized in profit and loss.

B. Hedge effectiveness of interest rate swaps: in accordance with the IFRS - the associates recognize adjustments relating to the ineffective portion of its cash flow hedge under finance expenses in profit and loss. Under US GAAP, there is no part which is not effective, and the hedging results are recognized in full in other comprehensive income.

C. Impairment of property, plant and equipment in Valley: In 2021, prior to the acquisition date of CPV Group, indications of impairment of the property, plant and equipment were identified. Under IFRS, the carrying amount exceeded the recoverable amount (the discounted cash flows that Valley expects to generate from the asset), and consequently an impairment loss was recognized. Under US GAAP, the non-discounted cash flows that Valley expects to generate from the asset exceeded the carrying amount, and therefore no impairment loss was recognized. Since the impairment loss was taken into account as part of the excess cost allocation work as of the acquisition date of CPV Group, its subsequent reversal in Valley’s financial statements, if recognized, shall not affect the Company's results.

D. Intangible assets: Under IFRS, certain intangible assets are defined as property, plant and equipment.

E. Restricted cash: The presentation of restricted cash in the cash flow statements varies between IFRS and US GAAP.