Keystone Infra Ltd.

Interim Financial Information

(Unaudited)

31 March 2024

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

Contents

[letterhead of PWC]

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

Introduction

We have reviewed the accompanying financial information of Keystone Infra Ltd. which includes the Condensed Statement of Financial Position as of 31 March 2024 and the Condensed Statements of Comprehensive Income, Changes in Equity and Cash Flows for the three-month periods then ended. The board of directors (the "**Board**") and management are responsible for the preparation and presentation of the financial information for this interim period in accordance with IAS 34 "Interim Financial Reporting", and they are responsible for the preparation of information for these interim periods under Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. Our responsibility is to express a conclusion on this interim financial information, based on our review.

Scope of Review

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

Conclusion

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

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

Tel Aviv	KESSELMAN & KESSELMAN
29 May 2024	Certified Public Accountants
	A member firm of PricewaterhouseCoopers International Limited

[Letterhead of PWC)

29 May 2024

To:
The Board of Directors of Keystone Infra Ltd. (formerly, Keystone REIT Ltd.)

4 Ariel Sharon, Givatayim

Dear Sir/Madam,

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

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

The auditor's report as of 29 May 2024 on the Company's financial statements as of 31 March 2024 and 2023 and the year ended on 31 December 2023.

Sincerely,

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

Keystone Infra Ltd. - Statements of Financial Position

	Note	31 March 2024	31 March 2023	31 December 2023
		(audited)		(audited)
		ILS in thousands		
Assets				
Current assets				
Cash and cash equivalents		286,607	177,915	80,904
Accounts receivable		5,544	1,263	5,820
		292,151	179,178	86,724
Non-current assets				
Investments in investees and loans	4A	3,013,891	2,658,636	3,006,740
Pledged deposit		33,100	31,704	33,000
Property, plant and equipment, net		-	13	-
		3,046,991	2,690,353	3,039,740
Total Assets		**3,339,142**	**2,869,531**	**3,126,464**
Liabilities and equity				
Current liabilities				
Commercial papers and short-term loans		187,500	490,000	187,500
Current maturities of bonds		54,826	34,586	54,670
Accounts payable		26,629	25,089	21,882
		268,955	549,675	264,052
Non-current liabilities				
Bonds		622,454	641,545	620,682
Long-term loans		187,500	-	187,500
Accounts payable		6,771	6,771	6,771
Deferred taxes		190,338	96,423	189,348
		1,007,063	744,739	1,004,301
Total liabilities		1,276,018	1,294,414	1,268,353
Equity				
Share capital		1,495,664	1,320,388	1,331,536
Proceeds on account of options		9,036	11,148	-
Share-based payment capital reserve		21,341	18,547	18,547
Retained earnings		537,083	225,034	508,028
		2,063,124	1,575,117	1,858,111
Total Liabilities and Equity		**3,339,142**	**2,869,531**	**3,126,464**

Date of approval of the Financial Statements by the Company's Board: 29 May 2024

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

Keystone Infra Ltd. - Statements of Comprehensive Income

	Note	3 months ended 31 March 2024	3 months ended 31 March 2023	The year ended 31 December 2023
		(unaudited)		(audited)
		ILS in thousands		
Revenue	4B			
Net change in fair value of investments in investees measured at fair value through profit or loss, net of income from dividend, interest and loan proceeds		(17,257)	103,760	406,767
Income from dividend, interest and loan proceeds		88,337	60,176	251,734
Other revenue		213	221	863
Total Revenue		**71,293**	**164,157**	**659,364**
Operational expenses				
Management fees		8,060	7,558	31,058
Share-based payment expenses		2,794	-	-
Transaction costs due to acquisition of investees (primarily professional services)		41	39	1,161
Other operational expenses		3,070	1,930	6,773
Total Expenses		**13,965**	**9,527**	**38,992**
Operating income		**57,328**	**154,630**	**620,372**
Financing income		1,756	1,758	6,276
Financing expenses		(10,539)	(16,832)	(61,173)
Profit before income taxes		**48,545**	**139,556**	**565,475**
Income taxes - deferred		990	28,669	121,594
Total comprehensive income attributable to the Company's shareholders		**47,555**	**110,887**	**443,881**
Basic and diluted earnings per share attributable to the Company's shareholders (in ILS)		**0.3**	**0.7**	**2.9**

The accompanying notes are an integral part of the Financial Statements

Keystone Infra Ltd. - Statements of Changes in Equity

	Attributable to the Company's shareholders				
	Share capital	Proceeds on account of options	Share-based payment capital reserve	Retained earnings	Total equity
	ILS in thousands				
Balance as of 1 January 2024 (audited)	1,331,536	-	18,547	508,028	1,858,111
Issuance of capital	164,128	9,036			173,164
Share-based payment			2,794		2,794
Income for the period	-	-	-	47,555	47,555
Dividend	-	-	-	(18,500)	(18,500)
Balance as of 31 March 2024 (unaudited)	**1,495,664**	**9,036**	**21,341**	**537,083**	**2,063,124**
Balance as of 1 January 2023 (audited)	1,320,388	11,148	18,547	124,147	1,474,230
Income for the period	-	-	-	110,887	110,887
Dividend	-	-	-	(10,000)	(10,000)
Balance as of 31 March 2023 (unaudited)	**1,320,388**	**11,148**	**18,547**	**225,034**	**1,575,117**

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

The accompanying notes are an integral part of the Financial Statements

Keystone Infra Ltd. - Statements of Cash Flow

	3 months ended 31 March		The year ended 31 December
	2024	2023	2023
	(unaudited)		(audited)
	ILS in thousands		
Cash flows from current operations			
Income for the period	47,555	110,887	443,881
Adjustments required for presenting cash flows from operating activities:			
Adjustments to profit and loss items -			
Depreciation and amortizations	-	3	16
Deferred taxes	990	28,669	121,594
Change in fair value of investments in investees	17,257	(103,760)	(406,767)
Income from dividend, interest and loan proceeds	(88,337)	(60,176)	(251,734)
Expenses on share-based payment	2,794	-	-
Financing expenses, net	8,783	15,074	54,897
	(58,513)	(120,190)	(481,994)
Changes in the Company's asset and liability items -			
Decrease in accounts receivable	276	27,066	22,509
Increase in accounts payable	1,996	109	1,188
	2,272	27,175	23,697
Cash paid and received during the period by the Company for:			
Interest paid	(7,604)	(5,763)	(27,264)
Dividend, interest, and receivables due to loans received	88,337	60,176	251,734
	80,733	54,413	224,470
Net cash provided by operating activities	72,047	72,285	210,054

Keystone Infra Ltd. - Statements of Cash Flow

	3 months ended 31 March		The year ended 31 December
	2024	2023	2023
	(unaudited)		(audited)
	ILS in thousands		
Cash flows from investing activities			
Acquisition of investees, net	(24,408)	(14,460)	(79,554)
Creation of bank deposits	(100)	(25)	(1,321)
Net cash used in investing activities	(24,508)	(14,485)	(80,875)
Cash flows from financing activities			
Proceeds from issue of shares	176,237	-	-
Proceeds from issue of bonds	-	-	18,080
Issue expenses	(3,073)	-	(58)
Issuance of commercial paper	-	40,000	37,500
Long-term loans received from financial institution	-	-	187,500
Long-term loans repaid to financial institution	-	(50,000)	(350,000)
Dividend paid	(15,000)	(10,000)	(45,000)
Repayment of bonds	-	-	(36,412)
Net cash provided by (used for) financing activities	158,164	(20,000)	(188,390)
Increase (decrease) in cash and cash equivalents	205,703	37,800	(59,211)
Cash and cash equivalents at the beginning of the period	80,904	140,115	140,115
Cash and cash equivalents at the end of the period	**286,607**	**177,915**	**80,904**
Information about investing activities not involving cash flows:			
Declared dividend	18,500	-	15,000
Investment-related liabilities	-	20,000	-

The accompanying notes are an integral part of the Financial Statements

Note 1 – General

A. The Business

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

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

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

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

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

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

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

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

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

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

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

Note 1 – General (Cont.)

B. Preparation for Exercise of the Egged Partnership Option

The agreement for acquisition of 60% of Egged's shares included the grant of a put option to the shareholders for purchase of the rest of their shares after two and three years have passed after transaction closing date (as specified in Note 7C9 to the financial statements as of 31 December 2023). The first exercise date is in October 2024, with the payment date for the first exercise of the option scheduled for February 2025. Assuming that the shareholders choose to exercise the option available to them, the total consideration for payment is estimated at approx. ILS 1.8 billion (based on the amount of the purchase that is CPI-linked and interest-bearing and adjusted to the dividend distributions expected by that date). As of reporting date, the general partner of the Egged partnership is working to obtain the funding sources required for the payment similarly to the funding framework in the first acquisition of 60% of Egged's shares (bank financing, the Company's own existing capital sources, the commitment of the School and Preschool Teachers Fund to provide its share in the funding of the option). The Company's available capital, its unused credit facilities, and its debt-raising capabilities, as well as School and Preschool Teachers Fund's share in the capital required for the partnership, will be used to pay for the shares the partnership will be required to purchase, if and to the extent that the put option is exercised. The Company does not expect to be required to raise capital in order to fund the payment of the consideration in respect of the option.

C. Impact of the Swords of Iron War

The Swords of Iron War in Israel began on 7 October 2023. Consequently, a decline was demonstrated in the scale of the economic and business activities in the country, leading, *inter alia*, to the disruption of the production and supply chain, while a decrease in the volume of national transport, a shortage of manpower and a decrease in the value of financial assets and increase in the exchange rates of foreign currencies relative to the shekel, which have been mitigated as of the date of approving this report. In addition, in February 2024, Moody's announced the downgrading of the credit rating of the State of Israel to A2 *in lieu* of A1, and in April 2024 S&P announced the downgrading of the credit rating of the State of Israel from AA- to A+.

The operations of the corporations that are held by the Company have not been materially affected by the War. Generally, such Israeli entities are active in the infrastructure, transportation and energy sectors, which are critical infrastructures for the functioning of various systems in the economy, and they have accordingly continued to provide their services throughout the period of military campaign. To the best of the Company's knowledge, until the date of release of this report, the operations of the entities held by the Company have mostly continued as usual and have not been materially affected by the state of the military campaign.

Below is information about the effects of the War until the date of release of this report, as presented to the Company's management:

Note 1 – General (Cont.)

The transport segment – The beginning of the War saw a decrease in the number of kilometers travelled by Egged's service lines (in accordance with the directives of the Ministry of Transport) and the number of public transport passengers, as well as a decrease in charter bus mileage, *inter alia*, in the Drive Group. With time, the number of kilometers travelled recovered almost fully, and an increase in the number of public passengers and in charter bus mileage was observed. All of these, on a cumulative basis, have not had a material effect on the Company's results as of this time, including, *inter alia*, in view of the temporary and partial nature of the matter.

The energy segment – In general, the Be'er Tuvia, Ramat Hovav and Hagit power plants carried on with their normal operations. During the War and until the date of release of this report, the plants and the infrastructure that serves them have not been physically damaged, operation scales (both ordinary operations and maintenance) have not been adversely affected, and no adverse effect on the number of personnel required for operation thereof has been recorded. The foregoing also stands as relating to the power generation operations in Sunflower's photovoltaic facilities in Israel.

The water segment – In general, VID's desalinated water production facility carried on with its normal operations, despite its location in the Ashkelon area, close to the armed conflict zone. Until the date of release of this report, the scale of operation (both ordinary operations and maintenance) have not changed significantly, nor has any adverse effect on the number of personnel required for operation thereof been recorded.

To date, no material effect of the War on the state of liquidity of the Company and its investee corporations has been recorded, nor on their funding sources, and since the outbreak of the War the Company has closed the taking of a line of credit as well as the raising of capital from the public.

Since uncertainty exists as to the development, extent, continuation and effects of the War as of the date of release of the report, the Company is unable to assess the future impact of the War on the results of operations, financial position, cash flows and financial soundness of the Company and the corporations it holds as a result of the War.

D. Impact of Inflation and Interest Rates

Toward the end of 2023, the global trend of price increases saw mitigation which led to moderation in the rise of the inflation rate that increased by approx. 0.3% in the course of Q1/2024 compared to approx. 1.1% year-to-year and an increase by approx. 3.3% in the course of 2023 in its entirety. Along with the price increase, in an attempt to curb the inflation rate, central banks began to raise interest rates, with the Bank of Israel deciding to raise the interest rate starting April 2022, to 4.75% at the end of 2023. As of 2024, an interest reduction trend has been observed, and as of the date of approving this report, the Bank of Israel interest rate is 4.5%.

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

Note 1 – General (Cont.)

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

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

The project-related bank debt in respect of most of the Company's investments carries fixed interest rates throughout the lifetime of the project, and therefore the rise in the market interest rate does not affect the cost of the debt in such investments. Furthermore, for some project companies the loans are additionally linked to the CPI. Such companies benefit from a mechanism of indexation of their income component, such that in net terms, a higher CPI may even immaterially benefit them. In addition, the Egged partnership has a bank debt that bears a variable interest rate which amounts, as of reporting date, at approx. ILS 400 million (out of total debt of approx. ILS 1.3 billion, with the remaining amount carrying a fixed CPI-linked interest rate). As a consequence, the rise in the Bank of Israel interest rate and higher inflation will lead to an increase in the partnership's financing expenses (the Company's share in the partnership is approx. 81%). In the report period, a court approved Egged's motion for a reduction of capital of approx. ILS 350 million, which was distributed by Egged as dividend at such time, with the partnership's share in the distribution being approx. ILS 210 million, that was used for repayment of the variable component of the partnership's loan.

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

The financing expenses of the Company are affected by higher inflation and the Bank of Israel interest rate, as follows:

Series A Bonds bear a fixed interest rate that is linked to the Consumer Price Index (CPI) and are consequently not affected by the rise in the interest rate. However, the principal and interest on the bonds are linked to the index, and therefore the rise in inflation might lead to an increase in the Company's financing expenses. Thus, for example, a 1% change in the CPI will have an effect of approx. ILS 6.8 million on the Company's annual financing expenses in respect of Series A Bonds in their amount as of issuing this report.

The Company has credit from financial institutions as well as (non-marketable) commercial paper with interest at the Bank of Israel interest rate plus a margin. An increase in the interest rate in Israel might lead to an increase in the Company's financing expenses.

Note 1 – General (Cont.)

Thus, for example, a 1% change in the Bank of Israel interest rate may have an effect of approx. ILS 3.8 million on the Company's annual financing expenses in respect of utilization of the aforementioned line of credit which as of reporting date. In view of the foregoing, the Company estimates that the effect of the inflation and interest rate in the short and medium terms is not expected to be material, but the Company is unable to assess the continued uptrend in price levels, and therefore cannot assess the long-term effect.

E. In These Financial Statements:

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

Note 2 – Basis of Presentation of the Condensed Financial Statements

A. The interim financial information is reviewed and unaudited

The Company's condensed financial information as of 31 March 2024 and for the three-month period then ended (the "**Interim Financial Information**") was prepared in accordance with International Accounting Standard No. 34 – "Interim Financial Reporting" ("**IAS 34**"), and includes the additional disclosure required in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. The Interim Financial Information does not include all the information and disclosures required in the context of annual financial statements. The Interim Financial Information should be read in conjunction with the annual financial statements for 2023 and the accompanying notes thereto, which comply with the International Financial Reporting Standards, which are standards and interpretations released by the International Accounting Standards Board (IASB) ("**IFRS**") and include the additional disclosure required in accordance with the Securities Regulations (Annual Financial Statements), 5770-2010.

B. Estimates

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

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

Note 3 – Significant Accounting Policies

The Significant Accounting Policies and calculation methods applied in the preparation of the interim financial information are consistent with those used in the preparation of the Company's annual financial statements for the year 2023.

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

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

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

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

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

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

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

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

Note 3 – Significant Accounting Policies (Cont.)

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

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

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

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

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

The new key principles under IFRS 18 address the following:

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

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

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

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

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

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

Note 3 – Significant Accounting Policies (Cont.)

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

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

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

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

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

c. <u>Principles for grouping together and splitting information in statements or notes</u>

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

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

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

Note 4 – Investments in Investees and Loans:

A. Composition of Investments in Companies:

Company Name	Comment	Original Investment Amount	Aggregate Investment Proceeds	Fair Value	Fair Value Level	Holding Rate
		Balance as of 31 March 2024				
		ILS in Thousands				
Egged partnership	5	1,053,693	-	1,330,543	Level 3	(*)81.1%
Drive Group (formerly the Operator companies)	1	69,247	54,360	90,658	Level 3	21.3%
Eranovum	3	101,773	-	237,440	Level 3	49%
Ashkelon Desalination Plant	1	218,660	104,500	157,764	Level 3	50%
IPM Be'er Tuvia Power Plant	1	585,582	188,772	447,147	Level 3	32.1%
G.P. Global	2	22,309	-	31,323	Level 1	10.66%
Ramat Hovav Power Plant	1	174,641	167,004	435,528	Level 3	-
Hagit Power Plant	1	107,596	81,218	155,363	Level 3	-
Sunflower Sustainable Investments	2	172,573	-	110,652	Level 1	51.85%
Cinturion	4	17,473	-	17,473	Level 3	30%
Total Investments in Investees and loans		**2,523,547**	**595,854**	**3,013,891**		

(*) Egged partnership holds 60% of Egged, such that the indirect holding rate in Egged is approx. 49%.

1) As of 31 March 2024, an update was made to the fair value of the investments for the period from the date of the valuations as of 31 December 2023, which were carried out by external valuer, until the date of the financial statements, which is based on the projected yield for the owners (as determined in the external valuation), net of dividends, loan repayments and interest received in the period.
2) The fair value of the investment was determined according to the share price quoted on TASE.
3) As of 31 March 2024, an update was made to the fair value of the investment for the period from the date of the valuations as of 30 September 2023, which was carried out by an external valuer, until the date of the financial statements, which is based on the projected yield for the owners (as determined in the external valuation), net of dividends, loan repayments and interest received in the period.
4) The fair value of the investment was determined according to the consideration paid on the date of closing the transaction.

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

5) As of 31 March 2024, an update was made to the fair value of the investment for the period from the date of the valuation as of 30 June 2023, which was carried out by external valuer, until the date of the financial statements, which is based on the projected yield for the owners, net of dividends, loan repayments and interest received in the period.

	Balance as of 31 March 2023				
Company Name	**Original Investment Amount**	**Aggregate Investment Proceeds**	**Fair Value**	**Fair Value Level**	**Holding Rate**
	ILS in Thousands				
Egged partnership	1,053,693	-	1,114,532	Level 3	81.1%
Drive Group (formerly the Operator companies)	69,247	37,401	84,599	Level 3	21.33%
Eranovum	41,254	-	154,991	Level 3	30%
Ashkelon Desalination Plant	218,660	79,000	174,793	Level 3	50.00%
IPM Be'er Tuvia Power Plant	583,314	88,622	517,920	Level 3	32.08%
G.P. Global	22,309	-	32,996	Level 1	10.66%
Ramat Hovav Power Plant	174,641	101,908	356,411	Level 3	-
Hagit Power Plant	107,596	8,173	127,072	Level 3	-
Sunflower Sustainable Investments	165,859	-	77,849	Level 1	48.62%
Cinturion	17,473	-	17,473	Level 3	30.00%
Total Investments in Investees and loans	**2,454,046**	**315,104**	**2,658,636**		

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

	Balance as of 31 December 2023				
Company Name	Original Investment Amount	Aggregate Investment Proceeds	Fair Value	Fair Value Level	Holding Rate
	ILS in Thousands				
Egged partnership	1,053,693	-	1,290,504	Level 3	81.1%
Drive Group (formerly the Operator companies)	69,247	38,044	104,200	Level 3	21.3%
Eranovum	77,365	-	203,047	Level 3	42.8%
Ashkelon Desalination Plant	218,660	91,000	168,000	Level 3	50%
IPM Be'er Tuvia Power Plant	585,582	188,772	437,657	Level 3	32.1%
G.P. Global	22,309	-	28,941	Level 1	10.66%
Ramat Hovav Power Plant	174,641	148,038	444,179	Level 3	-
Hagit Power Plant	107,596	41,450	190,391	Level 3	-
Sunflower Sustainable Investments	172,573	-	122,348	Level 1	51.85%
Cinturion	17,473	-	17,473	Level 3	30%
Total Investments in Investees and loans	**2,499,139**	**507,304**	**3,006,740**		

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

B. Composition of Revenue from the Investments in Companies:

	3 Months Ended			
	31 March 2024			
Company Name	Net Change in Value of the Investments Measured at Fair Value Net of Revenue from Dividend, Interest and Loan Proceeds	Revenue from Dividend, Interest and Loan Proceeds	Other Revenue	Total
	ILS in Thousands			
Egged partnership	40,039	-	-	40,039
Drive Group (formerly the Operator companies)	(13,542)	16,103	213	2,774
Eranovum	9,985	-	-	9,985
Ashkelon Desalination Plant	(10,236)	13,500	-	3,264
IPM Be'er Tuvia Power Plant	9,490	-	-	9,490
G.P. Global	2,382	-	-	2,382
Ramat Hovav Power Plant	(8,651)	18,966	-	10,315
Hagit Power Plant	(35,028)	39,768	-	4,740
Sunflower Sustainable Investments	(11,696)	-	-	(11,696)
Total	**(17,257)**	**88,337**	**213**	**71,293**

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

	3 Months Ended 31 March 2023			
Company Name	Net Change in Value of the Investments Measured at Fair Value Net of Revenue from Dividend, Interest and Loan Proceeds	Revenue from Dividend, Interest and Loan Proceeds	Other Revenue	Total
	ILS in Thousands			
Egged partnership	31,134	-	-	31,134
Drive Group (formerly the Operator companies)	(9,400)	11,730	221	2,551
Eranovum	113,737	-	-	113,737
Ashkelon Desalination Plant	(14,707)	18,500	-	3,793
IPM Be'er Tuvia Power Plant	10,325	-	-	10,325
G.P. Global	(537)	-	-	(537)
Ramat Hovav Power Plant	(12,723)	21,773	-	9,050
Hagit Power Plant	(4,842)	8,173	-	3,331
Sunflower Sustainable Investments	(9,227)	-	-	(9,227)
Total	**103,760**	**60,176**	**221**	**164,157**

Note 4 – Investments in Investees and (Cont.)

Company Name	Year Ended 31 December 2023 Net Change in Value of the Investments Measured at Fair Value Net of Revenue from Dividend, Interest and Loan Proceeds	Revenue from Dividend, Interest and Loan Proceeds	Other Revenue	Total
	ILS in Thousands			
Egged partnership	207,106	-	-	207,106
Drive Group (formerly the Operator companies)	10,200	11,731	863	22,794
Eranovum	125,682	-	-	125,682
Ashkelon Desalination Plant	(21,500)	30,500	-	9,000
IPM Be'er Tuvia Power Plant	(72,206)	100,150	-	27,944
G.P. Global	(4,592)	-	-	(4,592)
Ramat Hovav Power Plant	75,042	67,903	-	142,945
Hagit Power Plant	58,477	41,450	-	99,927
Sunflower Sustainable Investments	28,558	-	-	28,558
Total	**406,767**	**251,734**	**863**	**659,364**

C. Additional information on the Investments

1) Investment in Egged partnership

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

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

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

2) Investment in Eranovum

In January 2024, the Company exercised the remainder of the option to invest in Eranovum in the amount of approx. €6 million, such that the rate of its holdings increased to approx. 49% of Eranovum's shares.

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

On 15 February 2024, scheduled heavy maintenance began at the power plant. The maintenance was completed after the report period on 5 May 2024, around 37 days behind schedule. The power plant is not entitled to availability payments over the maintenance period.

4) Conversion of a convertible loan at Ramat Hovav

In March 2024, upon obtaining approval from the Electricity Authority, the convertible loan provided by the Company to Edeltech Hovav Management Limited Partnership ("Edeltech") was converted into 32.665% of the equity interests in the Interim Partnership, which holds 50% of the Ramat Hovav Power Plant, constituting (indirectly) approx. 16.33% of the plant.

5) Conversion of a convertible loan at Hagit East

In Q1/2024, the conditions were satisfied for conversion of the Company's convertible loan in connection with the Hagit East power plant into approx. 32.665% of the equity interests in the partnership, which holds 50% of the Hagit East power plant, and the Electricity Authority's approval was received for performance of the conversion. In May 2024, upon obtaining approval of the Competition Authority for the conversion, the allotment of the interests was completed, and the Company holds (indirectly) 16.33% of the plant.

6) Investment in Sunflower

1. On 21 January 2024, Sunflower announced that it engaged in a non-binding MOU with Lahav L.R. Real Estate Ltd. and a subsidiary thereof ("**Lahav Energy**") which is engaged in renewable green energy and waste, to explore the possibility of Sunflower and Lahav Energy joining forces and to explore a transaction for the acquisition of all of the share capital of Lahav Energy in exchange for the allotment of Sunflower shares to the shareholders of Lahav Energy. On 15 May 2024, the Company updated, based on the information it received, that the parties to the said MOU decided to end negotiations between the parties without signing a binding agreement.
2. On 28 January 2024, Sunflower closed a transaction for the acquisition of rooftop solar projects in Israel with a total capacity of approx. 13 MW, between a subsidiary thereof and E.D.I. Energy Ltd. and subsidiaries owned thereby. As consideration, Sunflower's subsidiary will pay approx. ILS 8 million (most of which will be deemed a shareholder loan of the Company to the subsidiary) and will also allot to the sellers shares of the subsidiary at approx. 25% of the issued and paid-up share capital of the subsidiary.
3. On 12 March 2024, a subsidiary of Sunflower closed a transaction with Mivne Real Estate (K.D) Ltd. for the sale of 101 rooftop photovoltaic facilities with a total capacity of approx. 5 MW, including all rights connected to them, for a consideration of approx. $78 million plus VAT. Upon closing of the transaction, Sunflower recognized a capital gain of approx. ILS 20 million.

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

4. On 28 March 2024 and 25 April 2024, Sunflower completed a debt refinancing in relation to project companies in Poland, which increased its liquid resources by approx. ILS 60 million, and are expected to be used by Sunflower for continued development of the projects in the various territories in which it operates.

Note 5 – Transactions with Interested Parties and Related Parties:

A. Transactions with Interested Parties and Related Parties

	The 3 months ended 31 March		The year ended 31 December
	2024	2023	2023
	ILS in thousands		
Share-based payment	2,794	-	-
Commitment for additional consideration - Sunflower	6,771	6,771	6,771
Management fees	8,060	7,558	31,058

(*) The MC received from Sunflower, a company under its control, an additional amount of ILS 135 thousand in the reporting period and in the same period last year, and ILS 540 thousand in 2023, for the Company CEO's service as Chairman of the Board of Directors at Sunflower.

B. Compensation and benefits to Interested Parties and Related Parties for Interested Parties employed by the MC

	The 3 months ended 31 March		The year ended 31 December
	2024	2023	2023
	ILS in thousands		
Salary to an interested party employed by the MC	960	960	3,840

Note 6 – Events During and After the Reporting Period

A. For events in connection with the Company's investments in the report period, see Note 4C above.

B. Compliance with Financial Covenants

To secure repayment of credit from financial institutions and bonds borrowed by the Company, the Company is bound by certain financial covenants. As of 31 March 2024, the Company complies with its obligations and with the financial covenants stipulated in the loan agreements and the deed of trust for its Series A Bonds. For details with respect to the Company's financial covenants and the Series A Bonds issued thereby, see Note 10 to the annual financial statements as of 31 December 2023.

C. Dividend Distribution

1) On 15 January 2024, the Company distributed a dividend of ILS 15 million.
2) On 28 March 2024, the Company informed that Board approved on 27 March 2024 that the Company intended to make three additional dividend distributions, in July 2024, October 2024 and January 2025, at a rate of approx. 1% of the Company's equity as of the date of the financial statement pursuant to which such distribution would be approved, with the quarterly amount as of the date of approval of the policy being approx. ILS 18.5 million and in any event not less than the amounts warranted by the dividend distribution policy set forth in the Company's articles of association, which would be examined on an annual basis. The Company emphasized that it was not committed to carry out distributions in such amounts and at such times as mentioned above, and that the distributions (if and to the extent performed), their timing and their amounts would be approved and carried out only subject to and in accordance with additional Board resolutions as my be adopted in the future, in accordance with the provisions of the law and the Company's articles of association, prior to the actual performance of each and every distribution.
3) On 17 April 2024, the Company distributed a dividend in the amount of ILS 18.5 million (the dividend had been announced on 27 March 2024).

D. Capital Raising

On 12 February 2024, the Company completed a capital raising round by way of public offering of shares of the Company and Series 2 Warrants exercisable into common shares of the Company, with each warrant exercisable into one common share, from the day of listing thereof on TASE to the last date for exercise thereof on 11 February 2026 (inclusive), against cash payment of the strike price of ILS 6.1 (non-indexed), as specified in a shelf offering report. Following the dividend distribution in April 2024, the strike price amounts to ILS 5.98588.

The Company issueda total of 34,556,200 common shares and 17,278,100 warrants.

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

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

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

E. Litigation

1. Further to a petition for discovery and inspection of documents under Section 198A of the Companies Law, by a shareholder of the Company against the Company and the MC, prior to the filing of submission of a motion to certify a derivative suit for the petitioner's claim that the MC, a controlling shareholder and officer of the Company, as well as the controlling shareholders of the MC, have a personal interest both in the Company's capital raising and debt financing and in investment transactions made by the Company, which is based on the management agreement entered between the Company and the MC, as specified in Note 12.C(2to the Company's annual financial statements – on 21 April 2024, the respondents filed their reply to the petition. In the context of the reply, the respondents argued, *inter alia*, that the MC has no personal interest in the approval of investments, including the IPM and Egged investment transactions. The Court ordered the petitioner to file a response to the reply to the petition by 2 June 2024. A pretrial hearing on the petition will be held on 20 November 2024. Given the preliminary stage of the proceedings, the prospects thereof cannot be estimated at this point.

2. Further to a suit and a motion for certification thereof as a derivative suit by a shareholder of the Company against the Company, the Company's MC, the controlling shareholders of the MC and officers and directors of the Company, raising various claims in connection with the approval of the transaction for acquisition of the Sunflower shares by the Company, as specified in Note 12.C(1)to the Company's annual financial statements – A trial hearing was held on 1 April 2023 and dates for the filing of the parties' closing statements have been scheduled, ending on 26 September 2024. Given the preliminary stage of the proceedings, the prospects of the certification motion and the suit and the extent of the exposure in respect thereof cannot be estimated at this point.

3. Further to a declaratory suit brought by G. P. Global Power Ltd. ("**Global**") with the Tel Aviv-Jaffa District Court (Economic Department) against Alon Blue Square Israel Ltd. and CR Eco Holdings Ltd. and against the Company, as specified in Note 12.C(3to the Company's annual financial statements – on 11 April 2024, the parties filed a joint update notice, whereby they had failed to reach an agreed procedural framework in relation to the certification motion and each party would file its position on the matter by 1 May 2024. That same day, Global also filed a revised version of the remedies sought thereby. On 1 May 2024, the Company filed its position in relation to the conduct of the derivative suit concurrently with the proceeding at hand. In a nutshell, the Company argued that the derivative suit should be stricken-off or, at the very least, stayed until the proceeding at hand was concluded, because the certification motion would be completely unviable without a decision first being handed down in Global's suit and on the question of the negative personal interest in the general meeting and its results. That same day, the Court accepted, *inter alia*, the Company's position and ruled that the certification motion be stayed until the proceeding at hand was decided. Given the preliminary stage of the proceedings, the prospects thereof cannot be estimated at this point. No pecuniary remedies are sought against the Company in the context of this suit.

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

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