Econergy Renewable Energy Ltd.

Consolidated Interim Financial Statements

As of September 30, 2022

(Unaudited)

Contents

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Consolidated Statements of Financial Position

	As of September 30		December 31
	2022	2021	2021
	Unaudited		Audited
	EUR thousands		
Current assets			
Cash and cash equivalents	21,192	41,060	87,499
Accounts receivable and debit balances	7,144	4,920	3,112
Financial assets at fair value through profit or loss	3,273	-	-
Customers	24	99	99
	31,633	46,079	90,710
Non-current assets			
Restricted cash and deposits	7,979	-	36
Systems under construction and development (including land)	49,075	9,334	28,711
Fixed assets	477	284	191
Right-of-use asset, net	7,126	462	458
Deferred tax asset	15	-	5
Loan to an associate	28,627	-	-
Investments in companies accounted for using the equity method	18,836	6,762	16,166
	112,135	16,842	45,567
Total assets	143,768	62,921	136,277
Current liabilities			
Liabilities to suppliers and service providers	2,805	338	1,143
Accounts payable and credit balances	2,338	990	4,870
Liability in respect of contingent consideration	5,802	-	2,115
	10,945	1,328	8,128
Non-current liabilities			
Other long-term liabilities	3,137	200	250
Debt component in respect of convertible bonds	62,211	-	59,793
Conversion component at fair value through profit or loss in respect of convertible bonds	4,906	-	8,920
Lease liability	6,651	431	377
	76,905	631	69,340
Equity attributed to Company shareholders			
Share Capital and Premium	62,618	58,922	58,922
Capital reserves	8,051	10,536	11,228
Accumulated Deficit	(15,462)	(9,282)	(12,115)
	55,207	60,176	58,035
Non-Controlling Interests	711	786	774
Total equity	55,918	60,962	58,809
Total liabilities and equity	143,768	62,921	136,277

The attached notes constitute an integral part of the consolidated interim financial statements.

November 27, 2022			
Financial Statements Date of Approval	Mr. Eyal Podhorzer Chairman of the Board of Directors and CEO	Nir Peleg CFO	Mr. Yoav Shapira Director and Deputy CEO

Consolidated Interim Statements of Profit or Loss and Other Comprehensive Income

	for the 9 months period ended September 30		for the 3 months period ended September 30		For the Year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	EUR thousands (except for net earnings (loss) per share)				
<u>Revenue</u>					
Revenue from the provision of services	1,509	552	453	130	976
<u>Expenses</u>					
Cost of revenues	1,090	603	515	368	764
Development expenses	1,075	995	278	664	1,166
Administrative and general expenses	5,259	7,971	2,179	6,530	9,606
The Company's share in losses of companies accounted for using the equity method	835	324	350	230	518
Operating loss	(6,750)	(9,341)	(2,869)	(7,662)	(11,078)
Financing income	7,955	1,605	6,182	1,592	1,492
Financing expenses	4,587	675	1,071	73	1,633
Financing income (expenses), net	3,368	930	5,111	1,519	(141)
Profit (loss) before taxes on income	(3,382)	(8,411)	2,242	(6,143)	(11,219)
Taxes on income	28	24	11	17	61
Net profit (loss)	(3,410)	(8,435)	2,231	(6,160)	(11,280)
<u>Net profit (loss) attributed to:</u>					
Company shareholders	(3,347)	(8,048)	2,252	(5,992)	(10,881)
Non-Controlling Interests	(63)	(387)	(21)	(168)	(399)
	(3,410)	(8,435)	2,231	(6,160)	(11,280)
Other comprehensive loss (after the tax effect):					
<u>Amounts that will be classified or reclassified to profit or loss if specific conditions are met</u>:					
Adjustments from the Translation of Financial Statements of Foreign Activities	(461)	132	(20)	168	505
Total other comprehensive income (loss)	(461)	132	(20)	168	505
Total comprehensive income (loss)	(3,871)	(8,303)	2,211	(5,992)	(10,775)
<u>Attributed to</u>:					
Company shareholders	(3,808)	(7,916)	2,232	(5,824)	(10,376)
Non-Controlling Interests	(63)	(387)	(21)	(168)	(399)
	(3,871)	(8,303)	2,211	(5,992)	(10,775)
<u>Earnings (loss) per share in EUR</u>					
<u>Basic and diluted earnings (loss) per share</u>	(0.07)	(0.48)	0.05	(0.15)	(0.44)

The attached notes constitute an integral part of the consolidated interim financial statements.

Consolidated Statements of Changes in Equity

	Share Capital and Premium	Adjustments from the Translation of Financial Statements of Foreign Activities	Reserve for Transactions with Holders of Non-Controlling Interests	Capital Reserve for Share-Based Payment	Surplus	Total Equity attributed to Company Shareholders	Non-Controlling Interests	Total
	EUR thousands							
Balance as of January 1, 2022 (Audited)	58,922	490	5,419	5,319	(12,115)	58,035	774	58,809
Loss	-	-	-	-	(3,347)	(3,347)	(63)	(3,410)
Other comprehensive loss	-	(461)	-	-	-	(461)	-	(461)
Total comprehensive loss		(461)	-	-	(3,347)	(3,808)	(63)	(3,871)
Exercise of options	3,696	-	-	(3,696)	-	-	-	-
Cost of share-based payment	-	-	-	980	-	980	-	980
Balance as of September 30, 2022 (Unaudited)	62,618	29	5,419	2,603	(15,462)	55,207	711	55,918

The attached notes constitute an integral part of the consolidated interim financial statements.

Consolidated Statements of Changes in Equity

	Share Capital and Premium	Adjustments from the Translation of Financial Statements of Foreign Activities	Reserve for Transactions with Holders of Non-Controlling Interests	Capital Reserve for Share-Based Payment	Surplus	Total Equity attributed to Company Shareholders	Non-Controlling Interests	Total
	EUR thousands							
Balance as of January 1, 2021 (Audited)	845	(15)	-	-	(1,234)	(404)	6,592	6,188
Loss	-	-	-	-	(8,048)	(8,048)	(387)	(8,435)
Other comprehensive income	-	132	-	-	-	132	-	132
Total comprehensive income (loss)	-	132			(8,048)	(7,916)	(387)	(8,303)
Issuance of share capital, net of issue expenses	35,861	-	-	-	-	35,861	-	35,861
Issuance of share capital	1,551	-	-	-	-	1,551	-	1,551
Conversion of convertible loan	20,665	-	-	-	-	20,665	-	20,665
Transfer of subsidiaries' shares to the Company	-	-	5,419	-	-	5,419	(5,419)	-
Cost of share-based payment	-	-		5,000	-	5,000	-	5,000
Balance as of September 30, 2021 (Unaudited)	58,922	117	5,419	5,000	(9,282)	60,176	786	60,962

The attached notes constitute an integral part of the consolidated interim financial statements.

Consolidated Statements of Changes in Equity

	Share Capital and Premium	Adjustments from the Translation of Financial Statements of Foreign Activities	Reserve for Transactions with Holders of Non-Controlling Interests	Capital Reserve for Share-Based Payment	Surplus	Total Equity (Deficit) attributed to Company Shareholders	Non-Controlling Interests	Total
	EUR thousands							
Balance as of July 1, 2022 (Unaudited)	62,488	49	5,419	2,175	(17,714)	52,417	732	53,149
Net profit (loss)	-	-	-	-	2,252	2,252	(21)	2,231
Total other comprehensive income (loss)	-	(20)	-	-	-	(20)	-	(20)
Total comprehensive income (loss)	-	(20)	-	-	2,252	2,232	(21)	2,211
Exercise of options	130	-	-	(130)	-	-	-	-
Cost of share-based payment	-	-	-	558	-	558	-	558
Balance as of September 30, 2022 (Unaudited)	62,618	29	5,419	2,603	(15,462)	55,207	711	55,918

The attached notes constitute an integral part of the consolidated interim financial statements.

Consolidated Statements of Changes in Equity

	Share Capital and Premium	Adjustments from the Translation of Financial Statements of Foreign Activities	Reserve for Transactions with Holders of Non-Controlling Interests	Capital Reserve for Share-Based Payment	Surplus	Total Equity (Deficit) attributed to Company Shareholders	Non-Controlling Interests	Total
	EUR thousands							
Balance as of July 1, 2021 (Unaudited)	851	(51)		-	(3,290)	(2,490)	6,373	3,883
Loss	-	-		-	(5,992)	(5,992)	(168)	(6,160)
Other comprehensive income	-	168		-		168	-	168
Total comprehensive income (loss)		168		-	(5,992)	(5,824)	(168)	(5,992)
Issuance of share capital, net of issue expenses	35,855	-		-	-	35,855	-	35,855
Issuance of share capital	1,551	-		-	-	1,551	-	1,551
Conversion of convertible loan	20,665	-		-	-	20,665	-	20,665
Transfer of subsidiaries' shares to the Company	-	-	5,419	-	-	5,419	(5,419)	-
Cost of share-based payment	-	-		5,000	-	5,000	-	5,000
Balance as of September 30, 2021 (Unaudited)	58,922	117	5,419	5,000	(9,282)	60,176	786	60,962

The attached notes constitute an integral part of the consolidated interim financial statements.

Consolidated Statements of Changes in Equity

	Share Capital and Premium	Adjustments from the Translation of Financial Statements of Foreign Activities	Reserve for Transactions with Holders of Non-Controlling Interests	Capital Reserve for Share-Based Payment	Accumulated Deficit	Total Equity (Capital Deficit) attributed to Company Shareholders	Non-Controlling Interests	Total equity
	EUR thousands							
Balance as of January 1, 2021 (Audited)	845	(15)	-	-	(1,234)	(404)	6,592	6,188
Loss	-	-	-	-	(10,881)	(10,881)	(399)	(11,280)
Other comprehensive income	-	505	-	-	-	505	-	505
Total comprehensive income (loss)	-	505	-	-	(10,881)	(10,376)	(399)	(10,775)
Issuance of share capital, net of issue expenses	35,861	-		-	-	35,861	-	35,861
Issuance of share capital	1,551	-		-	-	1,551	-	1,551
Conversion of convertible loan	20,665	-		-	-	20,665	-	20,665
Transfer of subsidiaries' shares to the Company	-	-	5,419	-	-	5,419	(5,419)	-
Cost of share-based payment	-	-	-	5,319	-	5,319	-	5,319
Balance as of December 31, 2021 (Audited)	58,922	490	5,419	5,319	(12,115)	58,035	774	58,809

The attached notes constitute an integral part of the consolidated interim financial statements.

Consolidated Statements of Cash Flows

	for the 9 months period ended September 30		for the 3 months period ended September 30		For the Year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	EUR thousands				
Cash flows from operating activities					
Profit (loss) for the period	(3,410)	(8,435)	2,231	(6,160)	(11,280)
Adjustments required to present cash flows from the Company's operating activities:					
Adjustments of profit or loss items:					
Financing expenses (income), net	(3,368)	(930)	(5,111)	(1,519)	141
Cost of share-based payment	980	5,000	558	5,000	5,319
Depreciation and amortizations	183	42	89	24	90
The Company's share in losses of a company accounted for using the equity method	835	324	350	230	518
Taxes on income	28	-	11	-	61
	(1,342)	4,436	(4,103)	3,735	6,129
Changes in asset and liability items:					
Increase in accounts receivable and debit balances	(4,697)	(4,396)	(2,520)	(3,223)	(2,505)
Decrease (increase) in customers	75	(1)	75	-	(1)
Increase (decrease) in liabilities to suppliers and service providers	1,657	264	1,995	(330)	1,049
Increase (decrease) in accounts payable and credit balances	(3,871)	212	126	116	1,041 *)
Increase in other long-term liabilities	61	-	32	-	50
	(6,775)	(3,921)	(292)	(3,437)	(366)
Net cash used in operating activities	(11,527)	(7,920)	(2,164)	(5,862)	(5,517)
Cash flows from investing activities					
Change in restricted cash	(7,943)	-	(3)	-	(36)
Provision of loan to an associate	(28,065)	-	(17,136)	-	-
Dividends received from an associate	1,001	-	1,001	-	-
Investment in a company accounted for using the equity method	(1,741)	(750)	(502)	(200)	(10,347)
Purchase of assets consolidated for the first time (see Appendix A)	(5,471)	-	(2,776)	-	(13,746)
Investment in systems in development (including land)	(8,425)	(8,385)	(1,919)	(3,319)	(8,842) *)
Investment in fixed assets	(131)	(266)	12	(91)	(197)
Net cash used in investing activities	(50,775)	(9,401)	(21,323)	(3,610)	(33,168)
Cash flows from financing activities					
Issuance of shares, net of issue costs	-	37,412	-	37,406	37,412
Issuance of convertible bonds (net of issue expenses)	-	-	-	-	68,254
Repayment of contingent liability	(1,207)	-	-	-	-
Repayment of interest in respect of convertible bonds	(942)	-	-	-	-
Repayment of lease reserve	(403)	(40)	(261)	(20)	(63)
Receipt of convertible loan	-	17,526	-	266	17,526
Net cash provided by (used in) financing activities	(2,552)	54,898	(261)	37,652	123,129
Exchange rate differences in respect of cash and cash equivalent balances	(1,453)	1,586	366	1,586	1,158
Total change in cash and cash equivalents	(66,307)	39,163	(23,382)	29,766	85,602
Cash and cash equivalents at beginning of period	87,499	1,897	44,574	11,294	1,897
Cash and cash equivalents at end of period	21,192	41,060	21,192	41,060	87,499

*) Non-material adjustment of comparison figures

The attached notes constitute an integral part of the consolidated interim financial statements.

Consolidated Statements of Cash Flows

	for the 9 months period ended September 30		for the 3 months period ended September 30		For the Year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	EUR thousands (except Loss per Share)				
Appendix A – Purchase of assets consolidated for the first time					
Accounts receivable and debit balances	58	-	58	-	83
Systems under construction and development	7,455	-	4,760	-	15,797
Suppliers and service providers	(39)	-	(39)	-	(20)
Liability for deferred consideration	(2,003)	-	(2,003)	-	(2,115)
	5,471	-	2,776	-	13,746
Appendix B – Material non-cash activities					
Initial recognition of right-of-use asset and lease liabilities	6,813	-	3,077	-	-
Distribution from associate	(56)		(56)		
Investment in systems in development (including land)	3,117	-	10	-	3,123 *)
Investment in associate	2,824	-	-	-	-
Conversion of loan into shares	-	-	-	-	20,665
	12,698	-	3,031	-	23,788

*) Non-material adjustment of comparison figures

The attached notes constitute an integral part of the consolidated interim financial statements.

NOTE 1:- General

A. Econergy renewable energy ltd. (hereinafter - "Company") was incorporated and registered in israel in february 2021. The company operates through subsidiaries developing, building and managing renewable energy projects.

On July 9, 2021, the Company completed it's listing for trading on the Tel Aviv Stock Exchange and became a public company.

B. Completion of a Structural Change Procedure

On February 1, 2021, the Company submitted a request for a structural change to the tax authorities. On July 9, 2021 (hereinafter - the "completion date"), the structural change procedure was completed, according to which:

1. All shares (100%) in the issued and paid-up capital of Econergy International UK were transferred to the Company according to Section 104B of the Income Tax Ordinance in consideration for the allotment of the Company's ordinary shares to the shareholders of Econergy International UK.
2. All the shares of the controlling shareholders in the general partner in the Econergy Development Partnership (constituting 100% of the issued and paid-up capital of the general partner in the Econergy Development Partnership 1) were transferred to the Company according to Section 104H of the Income Tax Ordinance in consideration for the allotment of the Company's ordinary shares.
3. The rights of the limited partners (also including the controlling shareholders) in Econergy Development 1 were transferred to the Company according to Section 104H of the Income Tax Ordinance in consideration for the allotment of the Company's ordinary shares.

Since the Company acquired these activities from the transferring entities, which are controlled by the Company's controlling shareholder before and after the acquisition, the acquisition does not constitute a business combination within the scope of International Financial Reporting Standard 3 (IFRS 3). As a result, the Company handled the above acquisitions in a manner similar to the Pooling of Interests method.

The Company has prepared these consolidated interim financial statements in order to reflect the structural change as if it had occurred at the beginning of the earliest period presented in the statements (January 1, 2020). In addition, the consolidated interim financial statements include the consolidated financial position, results of operations and consolidated cash flows of the Company and of the merged companies as if they had always been owned by the Company. Consolidated interim statements of changes in equity were also presented according to the As Pooling method while making necessary adjustments in the various sections absorbed in the share premium item to reflect the legal rights of the majority shareholders in the Company and the non-controlling interests up to and after the date of the merger, respectively. The effect of the merger on the rights of the majority shareholders and non-controlling interests was recorded on the date of the merger to the items 'Share Premium' and "Transactions with Non-Controlling Shareholders", respectively.

C. Macroeconomic Effects, Inflation, and Interest Rate Increases

Following a sharp increase in inflation rates in Israel and around the world from in the fourth quarter of 2021, the world's central banks, including the Bank of Israel, began to raise interest rates in the first quarter of 2022. Recently there was a decrease in the transportation costs of products around the world, while the demand for equipment in the Company's field of activities continues. The Company estimates that a decrease in transposition costs does not materially affect the costs of raw materials, which remain at a high level.

NOTE 1:- GENERAL (CONTINUED)

From the Company's perspective, the delays, restrictions and the economic crisis that was created due to the foregoing had an immaterial effect on the Group's activities in the short term. The development, licensing, planning and construction of projects in the various countries in which the Company operates are continuing, in general, as usual. In addition, as of the date of approval of these consolidated interim financial statements, the supply of raw materials and engagements with the Group's main contractors continue as usual.

At this stage the Company is unable to fully assess how and to what extent the Group's activities will be affected, especially in the medium and long term, with the looming fear of a global recession that could result on the one hand (in the Company's estimate) in negative changes in financing prices and in exchange rates, and on the other hand could result in changes in electricity rates, both due to indexation and due to price increases similar to those recently experienced.

Consequently, the following are several aspects related to the continuation of the financial crisis, which may impact the Company's activities:

1. A delay in the schedules of the Company's projects that are in the construction stages due to delays in the supply of imported equipment and raw materials.
2. Sharp fluctuations in exchange rates may affect the construction costs denominated in foreign currency of projects that are in the construction and development stages.
3. Increases in the prices of raw materials for the production of solar panels and in transportation costs.

The Company estimates that according to the information in its possession as of the date of approval of these consolidated interim financial statements and taking into account the uncertainty involved in the crisis, the crisis is not expected to have a material adverse effect on the Company's activities. However, it is unable to estimate how it will affect its activities insofar as the crisis worsens in the near future.

As of the date of the report, the Company's management and board of directors believe that the company has the ability to meet its existing and anticipated obligations in the foreseeable future.

D. In accordance with the provisions of regulation 9c and regulation 38d of the Securities Regulations (Periodic and Immediate Reports), 1970, the Company elected not to include separate financial information due to the negligible nature of such added information in the separate financial statement compared to the information included in the consolidated statements.

Note 2:- Significant Accounting Policies

A. Preparation Format of the Consolidated Interim Financial Statements

These financial statements were prepared in a condensed format as of September 30, 2022, and for the nine- and three-month periods ended on that date (hereinafter - "consolidated interim financial statements"). These statements should be read in conjunction with the Company's consolidated annual financial statements as of December 31, 2021 and for the year ended on that date and their accompanying notes (hereinafter - the "consolidated annual financial statements").

The consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 - "Interim Financial Reporting", and in accordance with the disclosure provisions of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

The accounting policy applied in preparation of the consolidated interim financial statements is consistent with that applied in preparation of the consolidated annual financial statements, except for the following:

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Specific credit costs were capitalized directly to assets under construction which require a significant period of preparation for their intended use (and therefore constitute eligible assets). Exchange rate differences arising from loans in foreign currency are capitalized if they are considered as an adjustment to the interest costs. Revenues arising from the temporary investment of specific credit received for investing in eligible assets, are deducted from the credit costs eligible for capitalization.

General credit costs were capitalized into eligible assets over the period required for completion and construction until they are ready for their intended use. These costs were determined in accordance with the product of (i) that part of the investment cost in the weighted eligible asset during the period that was not financed through specific credit by (ii) the Group's general credit discount rate that existed during the period, with the exception of costs of specific credit received to finance an eligible asset.

Other credit costs are charged to profit and loss as incurred.

B. Initial Application of Amendments to Existing Accounting Standards

1. Amendment To Ifrs 3 - *Business Combinations*

In May 2020, the IASB issued an amendment to IFRS 3 - *Business Combinations*, with respect to the conceptual framework. The amendment is intended to replace the reference to the framework for preparing and presenting financial statements with reference to the conceptual framework for financial reporting published in March, 2018 without significantly changing its requirements.

The amendment added an exception to the principle of recognition of a liability in accordance with IFRS 3 in order to avoid situations of recognition of gains or losses immediately following the business combination ('day 2 gain or loss') stemming from liabilities and contingent liabilities that would fall within the scope of IAS 37 or IFRIC 21, if recognized separately.

According to the exception, the acquirer will apply the provisions of IAS 37, or IFRIC 21, as the case may be, in order to determine whether on the date of the acquisition there is a present obligation as a result of the past event, or whether the binding event which creates an obligation to pay the levy occurred up to the date of acquisition, respectively, and not in accordance with the definition of a liability in the conceptual framework.

The amendment also clarifies that contingent assets will not be recognized at the time of the business combination.

The above amendment had no effect on the financial statements.

2. Project for Improvements in International Standardization for The Years 2018-2020

In May 2020, the IASB issued certain amendments as part of the 2018-2020 cycle improvement project, with the main amendment referring to IFRS 9.

The amendment to IFRS 9 clarifies what fees the Company must include when it performs the "10 percent" test according to Section B.3.3.6 of IFRS 9, for the purpose of examining whether the terms of a debt instrument that has been adjusted or replaced are materially different from the original debt instrument.

According to the amendment, when determining fees paid less fees received, in the cash flows, the borrower only includes fees paid or received between the borrower and the lender, including fees paid or received by the borrower or the lender for the benefit of the other.

The Amendment is implemented for annual reporting periods beginning on or after January 1, 2022. The amendment is applied to financial liabilities that have been amended or replaced starting from the year in which the amendment to the standard is first implemented, that is, starting from January 1, 2022.

NOTE 3:- SIGNIFICANT EVENTS IN THE REPORTING PERIOD AND SUBSEQUENT TO THE DATE OF THE STATEMENT OF FINANCIAL POSITION

A. During January 2022, the company and a consolidated company, Econergy International UK signed an agreement for a loan to an associate, RATESTI SOLAR PLANT SRL for the project's construction.

The loan bears annual interest at a rate of 6%. The loan and interest will be repaid no later than November 29, 2026.

As of June 30, 2022, the balance of the loan and the accrued interest amount to approx. EUR 28.6 million.

B. On February 15, 2022, the Company signed a term sheet with The Phoenix Insurance Company Ltd. (hereinafter - "The Phoenix"), regarding a possible entry into the partnership and the provision of financing by The Phoenix for the Company's projects in Romania and Poland totaling approx. EUR 150 million, as detailed below (hereinafter - the "Term Sheet").

According to the Term Sheet, The Phoenix will provide the Company with loans totaling up to EUR 150 million that can be utilized over a period of two years for the financing of part of the construction costs of the Company's projects as detailed below, subject to terms to be agreed between the parties in binding partnership and loan agreements (hereinafter - the "Loan" and the "Agreements").

For the granting of the loan, the Company will establish a wholly owned entity (the "Subsidiary") which will hold (indirectly, through holdings in partnerships) the full shares of the companies established up to the date of signing the agreements or that will be established until the date of the full utilization of the loan by the Company, for the construction and operation of the Company's photovoltaic solar projects in Poland and Romania (the "Project Partnerships", and the "Projects", respectively).

According to the Memorandum of Understanding, The Phoenix will grant each project that reaches the RTB stage, as detailed in the Memorandum of Understanding ("Approved Project"), a loan of 66.67% of the project's construction cost

("Project Loan"), with the Company financing the balance of the project cost by investing in the capital of the subsidiary and/or a shareholder loan to the subsidiary.

The Company will be entitled to receive from each project partnership, in respect of the approved projects, the following amounts:

In respect of management services for the construction work (EPCM) of each approved project – 1.5% of the project's construction cost;

In respect of project management services – an amount of EUR 3,600 per MW for each approved project for an initial period of 10 years from the date of the project's commercial operation (the arrangement will be automatically renewed for another 10 years under certain conditions);

Revenues from the realization of development – an amount of EUR 100,000 per MW installed and connected if a convertible loan has been converted into capital;

As of the date of approval of the consolidated interim financial statements, binding agreements have not yet been signed between the parties.

C. On February 18, 2022, the company entered into an agreement for the acquisition of the full issued share capital of alternativ investment solution srl. The acquired company is in advanced development stages of solar systems in romania with a capacity of 44 mw; the present status of said systems is approaching construction.

As of the date of approval of the consolidated interim financial statements, the Company has invested an amount of approx. EUR 1,540 thousand in respect of this acquisition. The balance of the consideration will be paid accordingly, subject to the meeting of the milestones detailed in the agreement, which is presented under 'liabilities in respect of contingent consideration'. The acquired assets are presented in 'systems under construction and development'.

NOTE 3:- SIGNIFICANT EVENTS IN THE REPORTING PERIOD AND SUBSEQUENT TO THE DATE OF THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

D. On March 22, 2022 the Company entered into a binding agreement for the acquisition of the full issued share capital of a company that holds rights for the construction, operation, maintenance and connection to the electricity grid of a storage project (using batteries) with a capacity of approx. 80 mw in the UK and which is at ‘ready to build’ status.

As of the date of approval of the consolidated interim financial statements, the Company has invested an amount of approx. EUR 2.7 million in cash. The acquired assets are presented in ‘systems under construction and development’.

E. On April 18, 2022, the Company entered into a binding agreement for the acquisition of 49% of the issued share capital of a company that was incorporated and registered in Greece and that owns all the shares of two companies incorporated and registered in Greece that are each in the process of developing a solar photovoltaic facility for electricity generation, one with a capacity of approx. 240 mw and the other with approx. 220 mw, in the Kilkis district in Greece. On May 16, the transaction was consummated.

As of the date of approval of the consolidated interim financial statements, the Company has invested an amount of approx. EUR 340 thousand in respect of this acquisition. The balance of the consideration will be paid accordingly, subject to the meeting of the milestones detailed in the agreement, which is presented under ‘liabilities in respect of contingent consideration’.

The Company and the other shareholder provided a guarantee of EUR 35,000 per megawatt, each according to its relative share, as part of the procedure for obtaining the license to connect the projects to the electricity grid in Greece.

F. On May 19, 2022, the Company’s board of directors approved the allocation of options according to an outline in accordance with the Securities Regulations (Details of an Outline of an Offer of Securities to Employees), 2000, and as a private offering that is not a substantial private offering or an exceptional private offering according to the Securities Regulations (Private Offering of Securities of a Listed Company), 2000, of 1,400,000 of the Company’s options that are not listed for trading, exercisable for up to 1,400,000 of the Company’s no-par value ordinary shares according to the Company's option plan, to offerees who are employees of the Company and/or its subsidiaries and/or service providers of the Company and/or its subsidiaries (”**Offerees**”), and to the trustee for use as a pool for future grants of options to offerees who, at the time of the allocation, will be employees of the Company and/or subsidiaries of the Company (**”Trustee”** and “**Option Pool**”), respectively.

In the outline, it was stated that the actual allocation of the options is subject to several significant conditions, including receipt of Income Tax approval and receipt of TASE approval for the listing of the exercise shares resulting from the options for trading (which was received on June 28, 2022). On July 3, 2022, with all the conditions having been met for the allocation, the Company's board of directors approved the actual allocation of the aforementioned options, including their exercise price, which was set at ILS 19.14, and the options were allocated to the Trustee and the Offerees.

On August 11, 2022, the Company's board of directors approved the grant of 89,500 additional options from the Company's Option Pool, and the exercise price for them was set at ILS 23.51, and the options were allocated to the Offerees.

On November 24, 2022, close to the publication of this report, the Company's board of directors approved the grant of 130,000 additional options from the Company's Option Pool, and the exercise price for them was set at ILS 17.57, and the options were allocated to the Offerees.

The Company retained an independent external appraiser to assess the value of the options granted as of September 30, 2022, including the method of accounting for the distribution. The options were priced using a binomial model and the economic value of these grants was estimated at approximately ILS 9.3 million.

NOTE 3:- <u>SIGNIFICANT EVENTS IN THE REPORTING PERIOD AND SUBSEQUENT TO THE DATE OF THE STATEMENT OF FINANCIAL POSITION</u> (CONTINUED)

G. On June 7, 2022 the Company entered into an agreement for the acquisition of the full issued share capital of a company that holds rights for the construction, operation, maintenance and connection to the electricity grid of a storage project (using batteries) with a capacity of approx. 70 MW in the UK and which is at APPROACHING CONSTRUCTION STATUS.

The consideration for the acquisition of the project will be paid subject to the meeting of the milestones specified in the agreement, which is presented in the consolidated interim financial statements under 'liabilities in respect of contingent consideration', the acquired assets are presented in 'systems under construction and development'.

H. On November 17, 2022, the company signed definitive agreements with the French Infragreen fund ("RG") regarding an investment of EUR 87.5 million in the capital of the subsidiary in the UK and an investment and provision of financing for the company's projects in the total amount of approx. EUR 163.3 million, as detailed below (the "agreements").

1. <u>The Principal Terms of the Agreement Regarding the Investment of EUR 87.5 Million in the Share Capital of Econergy International Uk</u> -

RG will invest EUR 87.5 million in the share capital of Econergy International UK, pursuant to the following:
- EUR 50 million will be invested by the IG4 fund from the RG group shortly after the closing date, in consideration for an allocation of shares amounting to 12.5% of the issued share capital of Econergy International UK at the closing date.
- In addition, RG has undertaken to invest an additional amount of EUR 37.5 million in the share capital of Econergy International UK by the IG5 fund from the RG group ("Additional Capital Investment"), subject to the completion of a minimum raising of capital by this fund, no later than the end of March 2023 ("Condition Precedent to the Additional Capital Investment"). In consideration for the Additional Capital Investment, the Company will allocate to IG5 shares of Econergy International UK amounting to 7.5% of the issued share capital of Econergy International UK at the closing date.
- The investment is made at a pre-money valuation of Econergy International UK of EUR 350 million.
- Control of Econergy International UK. (Including the right to appoint directors) will remain with the Company, while RG will be entitled to appoint one director to the Econergy International UK board of directors, as well as to receive standard minority protection and veto rights, among other things, regarding transactions between the Company and Econergy International UK and other interested party transactions, if any, in Econergy International UK.

RG will receive a tag along right in the event of a sale of Econergy International UK shares by the Company, while the sale of Econergy International UK shares by RG will be subject to the Company's right of first offer.

Concurrently with the signing of the agreement with RG, the controlling shareholders of the Company gave RG, pursuant to its request, a unilateral undertaking according to which for 7 years from the date of signing the agreement the controlling shareholders will not enter into a transaction that would lead to a situation where another shareholder in the Company ("**Third Party** ") will hold a greater number of shares than the controlling shareholders hold collectively, except if the Third Party undertakes to also purchase RG's holdings in Econergy International UK (insofar as RG is interested in selling).

NOTE 3:- SIGNIFICANT EVENTS IN THE REPORTING PERIOD AND SUBSEQUENT TO THE DATE OF THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

2. The Principal Terms of the Agreement Regarding the Collaboration with RG -

According to the framework agreement between Econergy International UK and RG, RG will invest an amount of approximately EUR 163.3 euros for the construction of renewable energy projects of Econergy International UK and/or its subsidiaries in the countries in which the latter operates ("Project/s" and "RG Collaboration"), according to the following principles:

- When a Project meets the conditions set forth in the agreement, RG will be obligated to invest in that project as detailed below.
- Econergy International UK and RG will hold the shares of each project company in equal parts (50/50), and in addition RG will provide each Project with a loan convertible into shares in an amount equal to 50% of the total investment required for the development of the project ("50% Loan "), and the parties will each provide loans equal to 25% of the total required investment (the "Parties' Loans").
- The 50% Loan will be for a term of 7 years. If there are no additional investments in the same Project, repayments of the principal of the 50% Loan may be repaid in an amount not exceeding 14.29% of the principal each year. Standard encumbrances will be registered in favor of RG by each project company to secure the 50% Loan, as applicable.
- The 50% Loan and Parties’ loan will bear annual interest of 8%. The repayment of the Parties’ Loans will be made according to the agreement between the parties. If a bank loan is received at the project company level, then the funds (received from the bank loan after the repayment of the interest accrued in respect of the 50% Loan will be used for RG's investment in additional Project/s, according to the terms specified in the RG Collaboration Agreement. If the Company does not present additional Project(s) to RG, the loan will be repaid to RG over 7 years as stated above.
- RG will receive an exclusive right to invest in any of the Company’s electricity generation project employing photovoltaic or wind technology that will reaches the ready to build stage (RTB), subject to the Company's previous undertaking towards The Phoenix Insurance Company Ltd. to make investments in projects in Romania in the amount of approximately EUR 100 million (exceot for the Parau project in respect of which RG received an express undertaking as detailed below) and in Poland in the amount of approximately 50 EUR million.
- Development fees for Econergy International UK - For each project in which RG will invest under the collaboration with RG, Econergy International UK will be entitled to receive development fees at a rate of between EUR 100,000 and EUR 140,000 per installed MW, according to the expected return in each project. In the Company's estimation, based on its expected returns from the Projects as of the date of this report, and assuming that the Company successfully obtains bank financing for the Projects during this period, the Company's expected revenues from the execution of the development out of RG’s portion, in connection with this agreement (including for the Parau project as detailed below) during the next 3 years, estimated at approximately EUR 40 million.

Engineering, Procurement and Construction Management agreements (EPCm) as well as project management services - Econergy International UK (or a company under its control) will provide each project company with management services for the construction work (EPCm) inconsideration for 1.5% of the Project's construction cost, as well as management services for the project after it is connected to the electricity grid for an initial term of 10 years from the date that the Project’s commercial operation commences, amounting to 4% of the Project's annual revenues, after which the arrangement regarding project management services will be renewed automatically for another 10 year term, all in accordance with the terms of the aforementioned management agreements.

NOTE 3:- SIGNIFICANT EVENTS IN THE REPORTING PERIOD AND SUBSEQUENT TO THE DATE OF THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

The RG Collaboration will be Carried Out Pursuant to the Following Allocation:
A total of approximately EUR 55 million will be invested by IG4 in the Company's Parau project in Romania. As a result of the framework agreement and according to its terms, Econergy International UK intends to sign an investment agreement with RG regarding the Parau project in Romania in the near future. The agreements to be consummated regarding the Parau project will be used, with the necessary changes, for investment in the other projects pursuant to the framework agreement.

The balance of the investment in the projects, amounting to approximately EUR 108.3 million, will be made by IG5, subject to the condition precedent of raising a certain amount by said fund no later than the end of June 2023.

I. As detailed in note 13 to the consolidated annual financial statements, as part of the issuance of the bonds (Series A), the Company undertook that as long as the bonds have not yet been repaid in full, it will meet the financial covenants detailed below:

- Equity will not be less than EUR 35 million over a period of two consecutive quarters.
- The ratio between the Company's financial debt and total assets, as defined in the deed of trust, will not exceed a rate of 75% over a period of two consecutive quarters.
- From the date of publication of the financial statements, until the period ended June 30, 2024, the ratio between the financial debt and the adjusted consolidated EBITDA will not exceed 18 over a period of two consecutive quarters.

As of September 30, 2022, the Company is in compliance with all the financial criteria in accordance with the deed of trust as stated above.

J. Further to note 18d to the Company's consolidated annual financial statements as of December 31, 2021, as part of the UBS agreement, the UBS fund is obligated to pay an agreed fixed amount as the consideration for the development activity for each MW in the project, according to the relative share of ECONERGY ARCHMORE, an associate, in its share in the project and invest additional amounts alongside the RGREEN fund, according to its 50% share in the project, for the construction of the projects.

In the reporting period, projects with a capacity of 16.05 MW completed the advanced licensing stage and reached the ready to build (RTB) stage.

On may 23, 2022, the ECONERGY ARCHMORE board of directors "received" the projects (approval of their acquisition and approval of the amount of investment required for their construction) and it was decided to move forward to the construction stage.

As of the date of approval of the consolidated interim financial statements, the RGREEN fund has injected its share required for the construction of the projects.

During July 2022, UBS injected the funds required for the acquisition of the projects and the investment required for their construction and at the same time ECONERGY ARCHMORE distributed a dividend TO ECONERGY DEVLUX, an investee, in the amount of the consideration for the development activity.

K. On September 9, 2022, the Company entered into an agreement to perform the construction works and purchase the equipment (hereinafter: EPC Agreement) for the Resko solar photovoltaic project with a capacity of approx. 51 megawatts located in the city of Resko in Poland; the present status of said systems is ‘under construction’. The agreement includes customary terms, such as the contractor's undertakings to complete the work on time, customary warranty periods commencing from the date of completion of the work, full guarantees intended to secure the contractor's obligations, compensation for loss of income in the event of a delay in the execution of the work, customary grounds for terminating the agreement, insurance, etc. The agreement also includes an assignment of the

NOTE 3:- SIGNIFICANT EVENTS IN THE REPORTING PERIOD AND SUBSEQUENT TO THE DATE OF THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

procurement orders and operations carried out to date by the Company as part of the start of the construction of the project for the EPC Agreement and the contractor's responsibilities regarding them.

L. On September 9, 2022, the Company entered into an agreement to purchase the entire issued share capital of WIND PARK RENEWABLES S.R.L. The acquired company is in advanced development stages of solar systems in Romania with a capacity of 126 MW; the present status of said systems is ‘preparatory development’.

As of the date of approval of the consolidated interim financial statements, the conditions precedent to the consummation of the transaction have not yet been met and the Company has invested in this project an amount of EUR 300 thousand which is presented in the section on accounts receivable and debit balances.

M. On September 9, 2022 the company entered into an agreement for the purchase of the entire share capital issued by PHOTOVOLATIC GREEN RENEWABLES S.R.L. the acquired company is in advanced development stages of solar systems in Romania with a capacity of 285 MW; the present status of said systems is ‘preparatory development’.

As of the date of approval of the consolidated interim financial statements, the conditions precedent to the consummation of the transaction have not yet been met and the Company has invested in this project an amount of EUR 500 thousand which is presented in the section on accounts receivable and debit balances.

On September 9, 2022 the Company entered into an agreement for the purchase of the entire share capital issued by SUN GREEN RENEWABLES s.r.l. The acquired company is in advanced development stages of solar systems in Romania with a capacity of 348.21 MW; the present status of said systems is preparatory development.

As of the date of approval of the consolidated interim financial statements, the conditions precedent to the consummation of the transaction have not yet been met and the Company has invested in this project an amount of EUR 500 thousand which is presented in the section on accounts receivable and debit balances.

N. On September 13, 2022 the company entered into an agreement for the purchase of the entire share capital issued by SAN BERNARDO WIND FARM S.R.L. The acquired company is in advanced development stages of solar systems in Italy with a capacity of 14.4 MW; the present status of said systems is ‘approaching construction’.

As of the date of approval of the consolidated interim financial statements, the Company has invested an amount of approx. EUR 1,235 thousand in respect of this acquisition. The balance of the consideration will be paid accordingly, subject to the meeting of the milestones detailed in the agreement, which is presented under ‘liabilities in respect of contingent consideration’. The acquired assets are presented in ‘systems under construction and development’.

O. On October 30, 2022, the Company entered into an agreement for the execution of construction works and the purchase of equipment (hereinafter: EPC Agreement) for the Parau solar photovoltaic project with a capacity of approx. 91 MW located in the town of Parau in Romania; the present status of said systems is ‘under construction’.

The agreement includes customary terms, such as the contractor's undertakings to complete the work on time, customary warranty periods commencing from the date of completion of the work, full guarantees intended to secure the contractor's obligations, compensation for loss of income in the event of a delay in the execution of the work, customary grounds for terminating the agreement, insurance, etc. The agreement also includes an assignment of the procurement orders and operations carried out to date by the Company as part of the start of the construction of the project for the EPC Agreement and the contractor's responsibilities regarding them.

NOTE 3:- SIGNIFICANT EVENTS IN THE REPORTING PERIOD AND SUBSEQUENT TO THE DATE OF THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

P. On October 31, 2022, the Company entered into an agreement to perform the construction works and purchase the equipment (hereinafter: EPC Agreement) for the Oradea solar photovoltaic project with a capacity of approx. 81 mw located in the region of Bihore in Poland; the present status said systems is ‘under construction’.

The agreement includes customary terms, such as the contractor's undertakings to complete the work on time, customary warranty periods commencing from the date of completion of the work, full guarantees intended to secure the contractor's obligations, compensation for loss of income in the event of a delay in the execution of the work, customary grounds for terminating the agreement, insurance, etc. The agreement also includes an assignment of the procurement orders and operations carried out to date by the company as part of the start of the construction of the project for the EPC Agreement and the contractor's responsibilities regarding them.

Note 4:- Guarantees and Pledges

The total off-balance sheet liabilities as of September 30, 2022 for guarantees amount to approx. EUR 13.5 million.

Some of the agreements in which the Company has engaged include the provision of a guarantee under which the Company has a deposit pledged to a bank and an insurance company.

The total off-balance sheet liabilities as of September 30, 2022 for pledges amount to approx. EUR 2.6 million.

Note 5:- Operating Segments

As stated in note 21 to the consolidated annual financial statements, the Company's operating segments were determined based on the information reviewed by the chief operating decision maker (CODM) for the purposes of resource allocation and performance evaluation.

For management purposes, the Company examines the business results according to geographical operating segments.

	Italy	UK	Romania	Poland	Spain	Adjustments to the Financial Statements	Total
	EUR thousands						
	Unaudited						
for the 9 months period ended September 30, 2022							
Segment results	411	(2,415)	445	263	-	640	(656)
Administrative and general expenses							(5,259)
The Company's share in losses of investee companies accounted for using the equity method							(835)
Financing income, net							3,368
Taxes on income							(28)
Loss							(3,410)
Other comprehensive loss							(3,871)
As of September 30, 2022							
Total assets	15,735	90,488	31,499	8,095	1,734	(3,783)	143,768
Total liabilities	(13,805)	(82,080)	(8,805)	(3,972)	(1,856)	22,668	(87,850)

NOTE 4:- OPERATING SEGMENTS (CONTINUED)

	Italy	UK	Romania	Poland	Spain	Adjustments to the Financial Statements	Total
	EUR thousands						
	Unaudited						
For the 9 months period ended September 30, 2021							
Segment results	16	(2,124)	125	193	-	744	(1,046)
Administrative and general expenses							(7,971)
The Company's share in losses of investee companies accounted for using the equity method							(324)
Financing income, net							930
Taxes on income							(24)
Loss							(8,435)
Comprehensive loss							(8,303)
As of September 30, 2021							
Total assets	7,994	16,723	892	228	1,766	35,319	62,921
Total liabilities	(7,696)	(723)	(901)	(141)	(1,834)	9,336	(1,959)

NOTE 5:- OPERATING SEGMENTS (CONTINUED)

	Italy	UK	Romania	Poland	Spain	Adjustments to the Financial Statements	Total
	EUR thousands						
	Unaudited						
For the 3 months period ended September 30 2022							
Segment results	102	(996)	160	89	-	305	(340)
Administrative and general expenses							(2,179)
The Company's share in profits of investee companies accounted for using the equity method							(350)
Financing income, net							5,111
Taxes on income							(11)
Net profit							2,231
Comprehensive income							2,211
As of September 30, 2022							
Total assets	15,735	90,488	31,499	8,095	1,734	(3,783)	143,768
Total liabilities	(13,805)	(82,080)	(8,805)	(3,972)	(1,856)	22,668	(87,850)

NOTE 5:- OPERATING SEGMENTS (CONTINUED)

	Italy	UK	Romania	Poland	Spain	Adjustments to the Financial Statements	Total
	EUR thousands						
	Unaudited						
For the 3 months period ended September 30 2021							
Segment results	(522)	(387)	3	59	-	(55)	(902)
Administrative and general expenses							(6,530)
The Company's share in profits of investee companies accounted for using the equity method							(230)
Financing income, net							1,519
Taxes on income							(17)
Loss							(6,160)
Comprehensive loss							(5,992)
As of September 30, 2021							
Total assets	7,994	16,723	892	228	1,766	35,319	62,921
Total liabilities	(7,696)	(723)	(901)	(141)	(1,834)	9,336	(1,959)

NOTE 5:- OPERATING SEGMENTS (CONTINUED)

	Italy	UK	Romania	Poland	Spain	Adjustments to the Financial Statements	Total
				Audited			
				EUR thousands			
For the Year ended December 31, 2021							
Segment results	362	(2,749)	201	295	-	937	(954)
Administrative and general expenses							(9,606)
The Company's share in losses of a company accounted for using the equity method							(518)
Financing expenses, net							(141)
Taxes on income							(61)
Loss							(11,280)
Comprehensive loss							(10,775)
As of December 31, 2021							
Total assets	9,165	63,605	1,582	586	1,673	59,566	136,277
Total liabilities	(9,059)	(21,055)	(2,058)	(385)	(1,785)	(43,126)	(77,468)

Note 6:- Financial Instruments

A. The following are the book balances and the fair value of financial instruments

	As of September 30				December 31	
	2022		2021		2021	
	Balance	Fair Value	Balance	Fair Value	Balance	Fair Value
	Unaudited				Audited	
	EUR thousands					
Financial assets						
Forward contracts on foreign currency	3,273	3,273	-	-	-	-
Total current financial assets	3,273	3,273	-	-	-	-
Financial liabilities						
Conversion component in respect of convertible bonds	4,906	4,906	-	-	8,920	8,920
Total non-current financial liabilities	4,906	4,906	-	-	8,920	8,920

B. Classification of Financial Instruments According to Fair Value Hierarchy

Financial assets and financial liabilities measured at fair value

	September 30, 2022	
	Level 3	Total
	EUR thousands	
	Unaudited	
Forward contracts on foreign currency	3,273	3,273
Conversion component in respect of convertible bonds	4,906	4,906

	December 31, 2021	
	Level 3	Total
	EUR thousands	
	Audited	
Conversion component in respect of convertible bonds	8,920	8,920

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