

Senvest Capital Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)

September 30, 2023



SENVEST

Notice of No Auditor Review of Interim Consolidated Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors PricewaterhouseCoopers LLP have not reviewed the unaudited condensed interim consolidated financial statements as at and for the period ended September 30, 2023.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

Senvest Capital (“Senvest” or the “Company”) recorded net loss attributable to common shareholders of (\$67.0) million or (\$27.07) per basic and diluted common share for the period ended September 30, 2023. This compares to a net loss attributable to common shareholders of (\$118.5) million or (\$47.72) per basic and diluted common share for the period ended September 30, 2022. For the quarter, the US dollar strengthened against the Canadian dollar and the result was a currency translation gain of about \$31.9 million. This amount is not reported in the Company’s statement of income rather it’s reflected in its statement of comprehensive income. As a result, the comprehensive loss attributable to common shareholders was (\$35.1) million for the period.

The Company’s income from equity investments was the biggest contributor to the results. The net change in fair value of equity investments and other holdings including securities sold short and derivative liabilities totaled (\$174.8) million in the quarter versus (\$278.4) million in 2022. Most of the Company’s equity investments are held by two funds, Senvest Master Fund, L.P. and Senvest Technology Partners Master Fund, L.P., which are consolidated into the accounts of the Company.

An early summer rally in equity markets that pushed indices to their highs for the year peaked at the end of July, followed by a stalled recovery and further market weakness. US stocks and government bonds posted their worst month of the year in September (a sell off that continued into October), likely in response to the Federal Reserve’s mantra of interest rates set to stay higher for longer. The Fed’s latest “dot plot” revealed in its latest “Summary of Economic Projections” from September 20th showed that its members foresee a Fed Funds rate of 5.6% by year-end (up from the current 5.33%) and a slightly lower 5.1% by the end of 2024. It’s understandable that the Fed would maintain this message in its quest to tamp down inflation toward its 2% target as progress on that goal continues, albeit with fits and starts. However, what the Fed says and what actually happens more often than not end up at opposite ends of the spectrum. Remember the mantra “inflation is transitory” just before one of the fastest rate hiking cycles ever? The Fed was wrong on the way into the hikes and will likely be wrong on the way out.

On a consolidated basis across the different funds, the largest holdings as at September 30, 2023 were Paramount Resources (POU), QuidelOrtho (QDEL), Marriot Vacations (VAC), PennyMac Financial Services (PFSI), Boston Properties Inc (BXP), Ebay (EBAY) and Kornit Digital Inc (KRNT). Comments on some individual positions from the fund managers are included below.

Apparel, footwear, and accessories designer Capri Holdings’ (“CPRI”), owner of the Michael Kors, Versace, and Jimmy Choo brands, stock rose +46.59% in the quarter.

On August 10th, CPRI announced that they had entered into an agreement to be acquired by Tapestry (“TPR”) for \$57 per share in an all-cash transaction. As long-term shareholders, we saw compelling value in the CPRI brand portfolio, but we acknowledge 2023 had been a difficult year for the company. We are pleased that the CPRI board of directors was willing to listen to a TPR offer and derive a satisfactory result for CPRI shareholders. We look forward to seeing what the TPR management team can do with the CPRI portfolio of brands and wish them the best of luck in the future.

Canadian oil and gas exploration company Paramount Resources (“POU”) rose +11.98% in the quarter, underperforming the XEG (+18.70%), the relevant benchmark ETF for Canadian E&Ps. Despite the headline underperformance in Q3 2023, we note that POU has still outperformed the XEG year-to-date by over 6.5% when considering dividends, including the \$1/share special dividend paid out in January.

POU benefited from improved commodity prices in the quarter, with West Texas Intermediate crude increasing +28.52% to over \$90, the highest level yet in 2023, and Henry Hub natural gas increasing a more modest +4.68% to \$2.93. Favorable macro developments include Saudi Arabia extending voluntary production cuts through December, Russia cutting crude exports in August and September, offset modestly by increasing production out of Iran, and speculation over the US easing sanctions on Iran and Venezuela.

After shutting in 50,000 boe/d of production in May due to wildfires in Alberta, over half of the production base, POU announced in early July that all but 2,500 boe/d had been restored. We are thankful that there was no loss of life or damage to infrastructure, and when POU reported second-quarter results in early August, a relatively modest impact on financial results and guidance. While we expected growth to be pushed out, we were hopeful that the slope of the production growth curve would remain unchanged. Instead, while 2H23 production guidance was revised by -6% for obvious reasons, 2024 production, and capex guidance were unchanged from pre-wildfire levels. The company managed this by completing planned maintenance while production was shut in and reallocating money to an additional pad at Kaybob, paying for the latter by axing a power generation project. Said another way, POU managed to steepen the growth curve without additional capital costs, a testament to the quality of management.

Looking forward, we expect the company will release well results from new activity in the Willesden Green region later this year. As we stated previously, we believe the well results and the associated de-risking of the new acreage should drive the next leg of outperformance. With the company only trading at ~3.6x 2024 cash flow, we are being well compensated to wait.

New Relic (“NEWR”) saw its stock increase +30.84% in the third quarter as the company agreed to be acquired by private equity firms Francisco Partners and TPG for \$87.00 per share. NEWR is a software observability platform for cloud computing environments that has been undergoing a strategic transition under the leadership of a new executive team over the past two years. NEWR competes with companies such as DataDog (“DDOG”) and Dynatrace (“DT”) and has spent the better part of the past several quarters transitioning its financial and go-to-market models to better compete in the marketplace and accelerate growth. NEWR had been rumored to be undergoing a comprehensive strategic process for the past several quarters under pressure from several activist investors. The deal valued New Relic at approximately \$6.5 billion and at a roughly 6x enterprise value to sales multiple.

Kornit Digital (“KRNT”), a leading supplier of digital textile printing technology solutions, decreased -35.61% in the third quarter following the company’s earnings report on August 9th. Despite reporting a relatively inline second quarter, the company’s guidance for the second half of 2023 was below consensus expectations. Most investors were expecting a more bullish outlook given the sentiment following the ITMA trade Fashion Expo we discussed in last quarter’s letter. While the company has built up a strong pipeline of future system sales, much of the revenue is not expected to be recognized until 2024. The near-term remains challenging; Kornit continues to feel the impact of a depressed macro environment as elevated interest rates impede customers' financing for new equipment. Kornit’s revenue guidance for the third quarter of \$60 million (down 10% year-over-year) was below the consensus. Despite the lower-than-expected guidance, there were several

encouraging trends including the second consecutive quarter of double-digit ink and consumable revenue growth. Management also reiterated that it expects to break even on an EBITDA basis in the fourth quarter, which the company previously stated would occur at \$70 million of revenue in a particular quarter. However, with the worsening situation in Israel, this may also get pushed into the first half of 2024.

Looking towards 2024, we are encouraged by Kornit's product portfolio and market positioning. As utilization levels continue to gradually increase, we expect a resumption in revenue growth of both equipment sales and consumables. Over the past year, Kornit has refreshed much of its product portfolio including its new high-volume Apollo direct-to-garment (DTG) platform and demonstrated its newer direct-to-fabric (DTF) and polyester printing platforms. These products greatly open large segments of the garment and fashion industry that have been much anticipated to drive the next legs of growth for Kornit. The stock currently has a valuation of 0.7x EV-to-2024 consensus revenue as KRNT shares trade at a meaningful discount to historical levels, which have been closer to 5x EV-to-revenue, which we believe to be achievable as its high-margin consumable inks business resumes a growth trajectory.

Vacation ownership company, Marriott Vacations Worldwide ("VAC"), fell -18.00% in the quarter. VAC reported Q2 2023 earnings on August 2, 2023. Results fell well short of expectations as adjusted EBITDA of \$222M came in 12% below the Street at \$253M. The weakness was felt across business lines, with Contract sales and Rentals contributing the lion's share of the miss. Full-year guidance for EBITDA was cut to \$895M at the midpoint vs. \$975M previously while EPS guidance was lowered 13% from \$11.45 to \$9.99.

VAC's biggest challenge in the quarter was selling a new product called Abound by Marriott Vacations, which was introduced in late 2022. This product allows Marriott, Westin, and Sheraton owners to use any resort across the three systems seamlessly, vs. being siloed by the brand in the past. Despite the merits of the product, selling a new offering can be lumpy as salespeople adjust to a different sales pitch and existing owners contemplate buying a product that is unfamiliar to them. This caused Westin's results to fall significantly below expectations. VAC has been through similar disruption in the past, namely when it switched from selling a weeks-based product to a points-based product in 2010. We have confidence that, with time, Abound by Marriott will be as effective as prior product forms.

VAC also had other challenges – from poor performance at Welk Resorts as it makes sweeping changes to the legacy sales pitch, to lackluster rental performance as the rush to vacation in Europe this summer hurt VAC's domestic destinations, particularly Hawaii.

Despite all the challenges in Q2 2023, we believe VAC's core business of offering families an attractive way to vacation at premier destinations remains intact and should be able to deliver strong cash flow and shareholder returns.

Verint Systems ("VRNT") declined -34.43% in the third quarter following lower revenue guidance due to ongoing macro headwinds that have slowed bookings, resulting in revenue and EPS below consensus expectations. Management stated that about \$8 million of annualized SaaS revenue deals slipped into future quarters as customers continue to delay renewals and overall sales cycles have elongated. Recall that VRNT is a leading pure-play customer engagement software company that enables enterprises to automate, collect, and analyze customer service support functions through its artificial intelligence (A.I.) engines. The company is best known for its cloud-based contact center applications that analyze customer interaction data (email, chat, voice) to give enterprises a holistic view of customers' interactions with its company. VRNT has also been

going through a business model transition to a cloud SaaS platform from a perpetual license model that is depressing revenue near-term. In the company's most recent quarter, VRNT reported a -6% year-over-year decline in sales which was below expectations with EPS of \$0.48 also coming in below consensus. Given the pushout of multiple deals, cloud SaaS ARR was up only 17% year-over-year, decelerating from 23% year-over-year in the first quarter.

VRNT currently trades at 8x P/E for C24, a meaningful discount to competitors like NICE which trades at 19x P/E, and peers like Five9 which trades at 29x P/E. We believe shares are washed out and are expecting growth to reaccelerate and profitability and cash flow to positively inflect in the coming year as the company's model transition nears an end and as VRNT's AI solutions build momentum and begin to see accelerating adoption.

Tower Semiconductor ("TSEM"), a leading specialty analog foundry, declined -34.54% during the third quarter. We attribute Tower's stock decline to a multitude of factors, most notably the formal termination of its acquisition by Intel Corp ("INTC") on August 15th. Both parties failed to receive the necessary Chinese regulatory approval within the six-month extension window and terminated the proposed transaction. After the deal termination, the stock has continued to be pressured as the shareholder base continues to turn over from merger arbitrage funds to more traditional fundamental investors. As a result of the deal termination, Tower Semiconductor is expected to receive a break-up fee of \$353 million from Intel. Although the merger did not move forward, on September 5th, Tower and Intel announced a new partnership agreement under which TSEM will invest up to \$300 million to utilize INTC's 300 million Fab in New Mexico, providing Tower with much needed additional capacity for incremental growth, and Intel the ability to repurpose an older underutilized facility.

Looking at TSEM's near-term, like many semiconductor companies, Tower is experiencing temporary headwinds from an ongoing inventory correction in the semiconductor industry. These industry dynamics resulted in a mixed second-quarter earnings report in which inline revenues were flat quarter-over-quarter but down -16% year-over-year. Gross margins were also lower than expected, largely attributable to a less favorable mix as certain end markets remain impacted by macroeconomic headwinds. We think the pullback in the stock is temporal as the value that TSEM provides to the market is greatly underappreciated. As a global specialty foundry, TSEM's focus on power management, optical networking and computing, and image sensor inputs in automotive, security, communications, and AR/VR applications is foundational to many secular trends that underpin growth across technology. As more supply chains rebalance away from China, TSEM is a key beneficiary given its advanced analog and mixed-signal foundry services capabilities. With new ST Micro and Intel foundry relationships, we now see TSEM having a revenue potential of \$2.1B and EBITDA of greater than \$750 million, well ahead of the company's previous milestones prior to the acquisition announcement. With peers like GlobalFoundries ("GFS") currently trading at 5x EV/Revenue and 13x EV/EBITDA, we believe over time that there is material upside to TSEM's stock, which could exceed Intel's deal price.

The Senvest Master Fund (Senvest Partners Fund) is focused primarily on small and mid-cap companies. The fund recorded a return of (5.3%) net of fees in the quarter and (1.6%) for the year to date. With most of the long portfolio invested in small and mid-cap stocks, the fund underperformed its most relevant benchmark, the Russell 2000 for the year to date. The fund also underperformed the S&P 500 index for the year to date but does not consider this index as a benchmark. The fund has issued an institutional share class which requires a minimum investment of \$75 million US, and includes a longer duration element, which further enhances the stability of its capital base and its ability to make long-term investments to help generate returns for the benefit

of all of our partners. Senvest's internal capital is subject to the same liquidity provisions of the institutional share class.

The Senvest Technology Partners Fund (prior name Senvest Israel Partners) was initiated in 2003 to focus on investing in Israel related companies. In 2019, the Israel Fund broadened its geographic investment mandate to focus on global technology investments. To better reflect the evolving global complexion of its technology investments, the Israel Fund underwent a name change to Senvest Technology Partners. After investing in Israel-related technology for 15 years, its holdings extended across the global technology universe. The Technology Fund maintained the same investment philosophy and continued to leverage the existing diligence and understanding of global technology and end markets. This fund recorded a return of (14.4%) net of fees for the quarter and is up 4.7% year to date (monthly results of the two funds can be found on the Company's website). As stated above both of these funds are consolidated into the accounts of the Company.

The Company has a portfolio of real estate investments as at September 30, 2023. One part of this amount represents investments in different US real estate income trusts (REIT) and partnerships. These REITs and partnerships are not publicly traded and there is no established market for them. The most likely scenario for a disposal of these holdings is an eventual sale of the underlying real estate properties of the REITs and partnerships and the distribution to its holders. Also, there are minority interests in private entities whose main assets are real estate properties. As described above for the REITs and partnerships, the most likely scenario for a disposal of these holdings is an eventual sale of the underlying real estate properties.

The Company also has investment properties in lands and buildings, specifically self-storage units in Madrid, Spain. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties were remeasured at fair value, using the fair value model. The fair value is based on external valuations from third party valuers. Gains or losses arising from changes in fair value of investment properties are included in the Company's net income or loss.

The Company consolidates the Senvest Management LLC (SML) entity that serves as the investment manager of Senvest Partners and Senvest Technology Partners as well as the general partners of the funds. The portion of the expected residual returns of structured entities that do not belong to the Company is reflected as a non-controlling interest on the statement of financial position. This non-controlling interest is owned by an executive of the Corporation. This non-controlling interest was \$18.4 million as at September 30, 2023 from \$17.5 million as at December 31, 2022.

At the end of September 30, 2023, Senvest had total consolidated assets of \$5,163.5 million versus \$5,653.2 million at the end of 2022. Equity investments and other holdings totaled \$4,732.2 million from \$5,280.9 million in December 2022. The Company purchased \$2,635.8 million of investment holdings in the period and sold \$3,145.4 million of such holdings. The Company's liabilities decreased to \$3,575.9 million this period versus \$4,059.4 million in 2022. The proceeds of securities sold short were \$2,232.8 million and the amount of shorts covered was \$2,418.7 million in the period. Overall, the trading figures were less than the corresponding amounts for the prior period.

Functional currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of the parent company is the US dollar.

Presentation currency

The Company has adopted the Canadian dollar as its presentation currency, which in the opinion of management is the most appropriate presentation currency. Historically, the Company's consolidated financial statements have been presented in Canadian dollars, and since the company's shares are listed on a Canadian stock exchange, management believes it would better serve the use of shareholders to continue issuing consolidated financial statements in Canadian dollars. The US dollar consolidated financial statements are translated into the presentation currency as follows: assets and liabilities – at the closing rate at the date of the consolidated statement of financial position; and income and expenses – at the average rate for the period. All resulting changes are recognized in other comprehensive income (loss) as currency translation differences. Equity items are translated using the historical rate.

Risks

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk, currency risk and equity price risk), credit risk and liquidity risk.

The Company's overall risk management program seeks to maximize the returns derived for the level of risk to which the Company is exposed and seeks to minimize potential adverse effects on the Company's financial performance. Managing these risks is carried out by management under policies approved by the Board of Directors.

The Company uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

Market risk

Fair value and cash flow interest rate risks

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The majority of the Company's debt is based on floating rates which expose the Company to cash flow interest rate risk. The Company does not have a long-term stream of cash flows that it can match against this type of fixed debt, so it prefers to use short-term floating rate debt. The Company does not mitigate its exposure to interest rate fluctuation on floating rate debt. If interest rates spike, then the Company could enter into interest rate swaps or more probably just reduce its debt level. As at September 30, 2023, the Company had listed sufficient equity securities that it can sell to reduce its floating rate debt to zero.

Currency risks

Currency risk refers to the risk that values of monetary financial assets and liabilities denominated in foreign currencies will vary as a result of changes in underlying foreign exchange rates. The Company's functional currency is the US dollar. The Company has foreign currency exposure to the Canadian dollar, the British pound sterling, the Euro, and the Israeli shekel.

Equity price risk

Equity price risk is the risk that the fair value of equity investments and other holdings and equities sold short and derivatives will vary as a result of changes in the market prices of the holdings. The majority of the Company's equity investments and other holdings and all of the securities sold short are based on quoted market prices as at the consolidated statement of financial position date. Changes in the market price of quoted securities and derivatives may be related to a change in the financial outlook of the investee entities or due to the market in general. Where non-monetary financial instruments – for example, equity securities – are denominated in currencies other than the US dollar, the price, initially expressed in a foreign currency and then converted into US dollars, will also fluctuate because of changes in foreign exchange rates.

Securities sold short represent obligations of the Company to make future delivery of specific securities and create an obligation to purchase the security at market prices prevailing at the later delivery date. This creates the risk that the Company's ultimate obligation to satisfy the delivery requirements will exceed the amount of the proceeds initially received or the liability recorded in the consolidated financial statements. In addition, the Company has entered into derivative financial instruments, which have a notional value greater than their fair value, which is recorded in the consolidated financial statements. This creates a risk that the Company could settle these instruments at a value greater or less than the amount that they have been recorded in the consolidated financial statements.

The Company's equity investments and other holdings have a downside risk limited to their carrying value, while the risk of equities sold short and derivatives is open ended. The Company is subject to commercial margin requirements which act as a barrier to the open-ended risks of the securities sold short and derivatives. The Company closely monitors both its equity investments and other holdings and its equities sold short and derivatives.

Liquidity risk

Liquidity risk is the risk the Company will encounter difficulties in meeting its financial obligations. The Company's largest assets are equity investments and other holdings. Most of these assets are made up of equities in public holdings which can be liquidated in a relatively short time. Due to its large holding of liquid assets, the Company believes that it has sufficient resources to meet its obligations.

All financial liabilities other than securities sold short and derivative liabilities, liability for redeemable units and some other payables as at the consolidated statement of financial position date mature or are expected to be repaid within one year. The liquidity risk related to these liabilities is managed by maintaining a portfolio of liquid investment assets.

Credit risk

Credit risk is the risk that a counterparty will fail to fulfill its obligations under a contract and will cause the Company to suffer a loss.

All transactions in listed securities are settled or paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is executed only once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

The Company is also exposed to counterparty credit risk on its cash and cash equivalents, restricted short-term investment and due from brokers.

From time to time, the Company enters into derivative financial instruments consisting primarily of options and warrants to purchase or sell equities, equity indices and currencies, equity swaps, foreign currency forward contracts, and foreign currency futures contracts. These derivative instruments are marked to market. There is deemed to be no credit risk for futures and certain options that are traded on exchanges. The warrant contracts and certain options that are not traded on an exchange allow the Company to purchase underlying equities at a fixed price. Equity swaps represent future cash flows that are agreed to be exchanged between the Company and counterparties at set dates in the future. Foreign currency forward contracts are contracts to buy or sell foreign currencies at a specified price at a future point in time.

Capital risk management

The Company's objective when managing its capital is to maintain a solid capital structure appropriate for the nature of its business. The Company considers its capital to be its total shareholders equity. The Company manages its capital structure in light of changes in economic conditions. To maintain or adjust its capital structure, the Company initiates normal course issuer bids or adjusts the amount of dividends paid. The Company monitors capital on the basis of its net liabilities-to-capital ratio, which is as follows (in millions):

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Total net liabilities	\$3,357.6	\$3,895.8
Total equity	\$1,587.6	\$1,593.8
Net liabilities to capital ratio	2.11	2.44

The Company's objective is to maintain a debt-to-capital ratio below 3.0. The Company believes that limiting its debt-to-capital ratio is the best way to monitor risk. The Company's debt to capital ratio was at 2.11 as at September 30 2023 from 2.44 at the end of 2022.

Investment Risk

To the extent not discussed above, the Company is subject to additional risks with respect to the investments made.

The value of the Company's portfolio may decrease as well as increase, due to a variety of factors, including general economic conditions, and market factors. Additionally, investment decisions made by the Company

may not always be profitable or prove to have been correct. Investment strategies, at any given time, may incur significant losses. Losses can occur for a number of reasons, including but not limited to, an overall decline in the underlying market, a lack of liquidity in the underlying markets, excessive volatility in a particular market, government intervention or monetary and/or fiscal policies of a specific region or country. The profitability of a significant portion of the Company's investments also depends to a great extent upon the Company's ability to correctly assess the future course of the price movements of securities and other investments. There can be no assurance that the Company will be able to accurately predict these price movements.

The Company's investment strategy is speculative and involves risk. The Company trades in options and other derivatives, as well as using short sales and utilizing leverage. The portfolio may not be diversified among a wide range of issuers or industries. In addition, the Company may take concentrated positions in its high conviction ideas, invest in high yield securities or invest in foreign markets outside the US and Canada. Accordingly, the investment portfolio may be subject to more rapid change in value than would be the case if the Company were required to maintain a wide diversification in the portfolios among industries, areas, types of securities and issuers.

The Company may make investments in the securities of high growth companies. More specifically, the Company may have significant investments in smaller-to-medium sized companies with market capitalizations of less than \$2 billion US. While smaller companies may have potential for rapid growth, they often involve higher risks because they lack the management experience, financial resources, product diversification, and competitive strengths of larger corporations. These factors make smaller companies far more likely than their larger counterparts to experience significant operating and financial setbacks that threaten their short-term and long-term viability. In addition, in many instances, the frequency and volume of their trading is substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations and exiting investments in such securities at appropriate prices may be difficult, or subject to substantial delay. Furthermore, some of the portfolio may be invested in technology, technology-related markets and biotech. These types of companies may allocate greater than usual amounts to research and product development. The securities of such companies may experience above-average price movements associated with the perceived prospects of success of the research and development programs. Also, these companies could be adversely affected by lack of commercial acceptance of a new product or products or by technological change and obsolescence. Some of these companies may have limited operating histories. As a result, these companies may face undeveloped or limited markets, have limited products, have no proven profit-making history, operate at a loss or with substantial variations in operating results from period to period, have limited access to capital and/or be in the developmental stages of their businesses.

The Company tries to manage the above risks by monitoring its leverage, actively following its investee companies and trying to react to market conditions. At the same time the Company expects its portfolio to exhibit a higher degree of volatility than portfolios that invest in larger more stable companies and that invest within more defined limits. As at September 30, 2023, approximately 92.9% of the Company's portfolio was invested in Level 1 securities. The Company monitors its Level 1 securities as a percentage of its total investments; however, it does not have a fixed number that this percentage cannot fall below.

Climate Change Risk

Climate change risk refers to the physical risks and transition-related risks related to the changes in climate patterns that may have a significant impact on communities and the economy. While the direct exposure of the

Corporation's operations to climate change risk is relatively low, as an investor in equities and other assets, the Corporation could indirectly be impacted by this risk through its portfolio investments.

The Corporation's portfolio investments face the potential direct impact of more frequent and more intense extreme weather events, as well as the potential indirect impact of any related supply chain disruptions. The exposure of the Corporation's portfolio investments to climate change risk also arises from the movement toward a low-emission economy, which may result in increased reputational, market, regulatory, policy, legal and technology-related risks. Existing portfolio investments in carbon-intensive industries and in other markets which are dependent on such industries may be more exposed to such transitional risks as a result of significant changes in customer perceptions and preferences, the increasing cost of carbon emissions and competition from renewable energy.

Critical accounting estimates and judgments

The Company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The following are the estimates applied by management that most significantly affect the Company's consolidated financial statements. These estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Consolidation of entities in which the Company holds less than 50% of the voting rights.

Management considers the Company to have de facto control of Senvest Management L.L.C. (RIMA), RIMA Senvest Master Fund GP, L.L.C., and Senvest Technology Partners GP, L.L.C. three legal entities wholly owned by an executive of the Company, because of the Company's Board representation and the contractual terms of the investment advisory agreement. RIMA is the investment adviser to the Funds, whereas RIMA Senvest Master Fund GP, L.L.C. is the General Partner of Senvest Master fund LP and Senvest Technology Partners GP LLC is the General Partner of Senvest Technology Partners Master Fund LP. As compensation for its sub-advisory services, the Company is entitled to receive 60% of the net management fees through RIMA and incentive allocation earned through the General Partners each fiscal year.

Management considers that the Company has control of Senvest Master Fund LP, Senvest Technology Partners Master Fund LP and Senvest Cyprus Recovery Investment Partners LP even though the Company has less than 50% of the voting rights in each of the Funds. The Company assessed that the removal rights of non-affiliated unitholders are exercisable but not strong enough given the Company's decision-making authority over relevant activities, the remuneration to which it is entitled and its exposure to returns. The Company, through its structured entity, is the majority unitholder of each of the Funds and acts as a principal while there are no other unitholders forming a group to exercise their votes collectively.

Fair value estimates of investment properties

The Company has adopted the fair value model in measuring its investment properties. The fair value of the investment properties is performed by external independent valuers located in the area of the properties. Inputs used in the property valuation models are based on appropriate assumptions that reflect the type of property and location. Management reviews the assumptions made and models used to ensure they correlate with their expectation and understanding of the market. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Fair value estimates of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or by using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. To the extent practical, models use only observable data; however, areas such as credit risk (both the Company's own credit risk and counterparty credit risk), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Financial instruments in Level 1

The fair value of financial assets and financial liabilities traded in active markets are based on quoted market prices at the close of trading on the consolidated statement of financial position date. The quoted market price used for financial assets and financial liabilities held by the Company is the close price. Investments classified in Level 1 include active listed equities and derivatives traded on an exchange. The financial assets classified as Level 1 were approximately 92.9% of the total financial assets.

Financial instruments in Level 2

Financial instruments classified with Level 2 trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or valuation techniques that use market data. These valuation techniques maximize the use of observable market data where available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. These include corporate bonds, thinly traded listed equities, over-the-counter derivatives and private equities.

The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each year-end date. Valuation techniques used for non-standardized financial instruments such as options and other over-the-counter derivatives include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analyses, option pricing models and other valuation techniques commonly used by market participants, making maximum use of market inputs and relying as little as possible on entity-specific inputs. The financial assets classified as Level 2 were approximately 1.6% of the total financial assets.

Financial instruments in Level 3

Investments classified in Level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments consist mainly of unlisted equity investments and real estate investments. As observable prices are not available for these securities, the Company has used valuation techniques to derive the fair value. The financial assets classified as Level 3 were approximately 5.5% of the total fair value of financial assets.

Level 3 valuations are reviewed by the Company's Chief Financial Officer (CFO), who reports directly to the Board of Directors on a quarterly basis in line with the Company's reporting dates. On an annual basis, close to the year-end date, the Company obtains independent, third party appraisals to determine the fair value of the Company's most significant Level 3 holdings. The annual valuations of the significant level 3 holdings are carried out externally.

The Company's CFO reviews the results of the independent valuations. Emphasis is placed on the valuation model used to determine its appropriateness, the assumptions made to determine whether it is consistent with the nature of the investment, and market conditions and inputs such as cash flow and discount rates to determine reasonableness.

As at September 30, 2023, Level 3 instruments are in various entities and industries. The real estate investments are made up of investments in private real estate companies, and in real estate income trusts and partnerships. For the main Level 3 instruments, the Company relied on appraisals carried out by independent third party valuers or on recent transactions. There was no established market for any of these investments, so the most likely scenario is a disposal of the underlying assets. For the investments in real estate income trusts and partnerships, the Company relied mainly on audited financial statements, valuing the assets at fair value. The most likely scenario is an eventual sale of the underlying properties and their subsequent distribution to the holders.

Liability for redeemable units

Liability for redeemable units represents the units in Senvest Master Fund, L.P., Senvest Technology Partners Master Fund, L.P. and Senvest Cyprus Recovery Investment Partners, L.P. Fund (collectively the Funds or individually a Fund) that are not owned by the Company. Senvest Master Fund, L.P. and Senvest Technology Partners Master Fund, L.P. units may be redeemed as of the end of any calendar quarter, however for a particular class there is a maximum quarterly redemption of 17% of the investor units and a maximum annual redemption of 34% of the investor units. Redemptions made within the first 24 months will be subject to a redemption fee of 3% to 5% which is payable to Senvest Master Fund, L.P. and Senvest Technology Partners Master Fund, L.P. In addition, there are notice periods of 60 days that must be given prior to any redemption. Senvest Cyprus Recovery Investment Partners, L.P. Fund has units that can be redeemed semi-annually with a 120 day notice. These units are recognized initially at fair value, net of any transaction costs incurred, and subsequently units are measured at the redemption amount.

Redeemable units are issued and redeemed at the holder's option at prices based on each Fund's net asset value per unit at the time of subscription or redemption. Each Fund's net asset value per unit is calculated by dividing the net assets attributable to the holders of each class of redeemable units by the total number of outstanding redeemable units for each respective class. In accordance with the provisions of the Funds' offering documents, investment positions are valued at the close price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Income taxes

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provisions for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination is made.

QUARTERLY RESULTS

(In thousands except for earnings (loss) per share information)

Year	Total revenue and investment gains (losses)	Net income (loss)-common shareholders	Earnings (loss) per share
2023-3	(147,432)	(67,029)	(27.07)
2023-2	120,082	21,222	8.58
2023-1	178,571	43,750	17.66
2022-4	467,665	153,795	61.58
2022-3	(265,349)	(118,477)	(47.72)
2022-2	(956,862)	(356,091)	(142.71)
2022-1	24,201	(5,310)	(2.13)
2021-4	232,882	58,954	24.03

The Company has had wide swings in profitability from quarter to quarter in the past two years, as seen above. The profit has fluctuated a significant amount quarter to quarter. These wide swings are primarily due to the large quarterly mark to market adjustments in the Company's portfolio of public holdings. However, we expect the volatility and choppiness of the markets to result in wide profit swings from year to year and from quarter to quarter. Reference is made to the section on Investment risk above.

The Company maintains accounts with several major financial institutions in the U.S. who function as the Company's main prime brokers. The Company has assets with the prime brokers pledged as collateral for leverage. Although the prime brokers are large financial institutions, there is no guarantee that any financial institution will not become insolvent. In addition, there may be practical or time problems associated with enforcing the Company's rights to its assets in the case of such insolvency.

While both the U.S. Bankruptcy Code and the Securities Investor Protection Act seek to protect customer property in the event of a failure, insolvency or liquidation of a broker dealer, there is no certainty that, in the event of a failure of a broker dealer that has custody of the Company's assets, the Company would not incur losses due to its assets being unavailable for a period of time, ultimately less than full recovery of its assets, or both. As a significant majority of the Company's assets are in custody with three prime brokers, such losses could be significant.

On August 16, 2023, Senvest commenced a new normal course issuer bid to purchase a maximum of 100,000 of its own common shares until August 15, 2024. There have been 4,500 shares repurchased for the year to date. The number of common shares outstanding as at September 30, 2023 was 2,474,124 and as at November 2, 2023 was 2,472,624. There were no stock options outstanding as at September 30, 2023 and none have been issued since 2005.

The Company has financing with a bank, composed of a credit facility and a guarantee facility. A first ranking movable hypothec in the amount of \$30 million on all of its assets has been granted as collateral for both of the facilities. According to the terms of the facilities, the Company is required to comply with certain financial covenants. During the year, the Company met the requirements of all the covenants. The Company also has margin facilities with brokers.

Related party transactions

The Company consolidates the Senvest Management LLC entity that serves as the investment manager of Senvest Partners and Senvest Technology Partners as well as the general partners of the funds. The portion of the expected residual returns of structured entities that do not belong to the Company is reflected as a non-controlling interest on the consolidated statement of financial position. This non-controlling interest is owned by an executive of the Company and was \$18.4 million as at September 30, 2023 from \$17.5 million on December 31, 2022.

Significant Equity Investments

For information on a summary of financial information from certain significant investees please refer to the 2022 audited consolidated financial statements. The accounts of Senvest Partners, Senvest Technology Partners and Senvest Cyprus Recovery Investment Fund are consolidated with the Company's accounts.

Geopolitical events

The ongoing military conflict between Ukraine and Russia and the imposition of economic sanctions by Western countries continue to cause concern in financial markets. It is difficult to predict the impact of this war on the value of the financial assets held by the Company. The Company does not hold any assets from Ukraine, Russia and Belarus, which reduces the extent of possible variations in the value of its financial assets.

FORWARD LOOKING STATEMENTS

This MD&A contains "forward looking statements" which reflect the current expectations of management regarding our future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as "may", "would", "could", "will", "anticipate", "believe", "plan", "expect", "intend", "estimate", "aim", "endeavour", "likely", "think" and similar expressions have been used to identify these forward looking statements. These statements reflect our current beliefs with respect to future events and are based on information currently available to us. Forward looking statements involve significant known and unknown risks, uncertainties and assumptions. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward looking statements including, without limitation, those Risk Factors listed in the Company's annual information form. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward looking statements contained in this MD&A. These forward looking statements are made as of November 3, 2023 and will not be updated or revised except as required by applicable securities law.

OTHER FINANCIAL INFORMATION

There is additional financial information about the Company on Sedar at <http://www.sedar.com/> the Company's website at www.senvest.com, as well the Company's or Senvest Management's U.S. SEC section 13 and other filings on www.sec.gov.

INTERNAL CONTROLS

There have been no changes in the Company's internal control over financial reporting during the quarter ended September 30, 2023, that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting.

(Signed)

Victor Mashaal
Chairman of the Board and President

November 3, 2023

(Management Discussion and Analysis ("MD&A") provides a review of Senvest Capital Inc.'s operations, performance and financial condition for the period ended September 30, 2023, and should be read in conjunction with the 2022 annual filings. Readers are also requested to visit the SEDAR website at www.sedar.com for additional information. This MD&A also contains certain forward-looking statements with respect to the Corporation. These forward-looking statements, by their nature necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by these forward-looking statements. We consider the assumptions on which these forward-looking statements are based to be reasonable, but caution the reader that these assumptions regarding future events, many of which are beyond our control may ultimately prove to be incorrect

Senvest Capital Inc.
Interim Consolidated Statements of Financial Position
(Unaudited)

(in thousands of Canadian dollars)

	Note	As at September 30, 2023 \$	As at December 31, 2022 \$
Assets			
Cash and cash equivalents		61,023	42,531
Restricted short-term investments		477	477
Due from brokers		218,302	163,579
Equity investments and other holdings	5	4,732,207	5,280,915
Investments in associates		27,373	29,563
Real estate investments		39,109	47,763
Investment properties		59,856	56,318
Income taxes receivable		1,797	14,871
Other assets		23,400	17,136
Total assets		5,163,544	5,653,153
Liabilities			
Bank advances		358	532
Trade and other payables		39,531	29,694
Due to brokers		902,926	1,058,328
Securities sold short and derivative liabilities	5	615,614	858,733
Redemptions payable		24,971	34,006
Subscriptions received in advance		-	703
Income tax payable		4,658	4,797
Deferred income tax liabilities		72,811	90,606
Liability for redeemable units		1,915,048	1,981,983
Total liabilities		3,575,917	4,059,382
Equity			
Equity attributable to common shareholders			
Share capital		20,621	20,657
Accumulated other comprehensive income		230,735	234,254
Retained earnings		1,317,850	1,321,347
Total equity attributable to common shareholders		1,569,206	1,576,258
Non-controlling interests		18,421	17,513
Total equity		1,587,627	1,593,771
Total liabilities and equity		5,163,544	5,653,153

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Approved by the Board of Directors

_____ Director

_____ Director

Senvest Capital Inc.

Interim Consolidated Statements of Loss

(Unaudited) For the three and nine months ended September 30, 2023 and 2022

(in thousands of Canadian dollars, except per share data)

	2023	2022	2023	2022
	\$	\$	\$	\$
Revenue				
Interest income	15,780	7,565	49,740	13,951
Dividend income	16,808	8,471	58,673	30,056
Other income	1,825	3,722	5,942	6,664
	<u>34,413</u>	<u>19,758</u>	<u>114,355</u>	<u>50,671</u>
Investment gains (losses)				
Net change in fair value of equity investments and other holdings	(174,838)	(278,379)	54,892	(1,255,855)
Dividend expense on securities sold short	(2,347)	(4,788)	(10,389)	(12,205)
Net change in fair value of real estate investments	(5,322)	(37)	(9,717)	8,954
Net change in fair value of investment properties	-	(2,239)	-	-
Share of profit of associates	(392)	434	(2,916)	2,174
Foreign exchange gain (loss)	1,054	(98)	5,176	8,251
	<u>(181,845)</u>	<u>(285,107)</u>	<u>37,046</u>	<u>(1,248,681)</u>
Total revenue and net investment gains (losses)	<u>(147,432)</u>	<u>(265,349)</u>	<u>151,401</u>	<u>(1,198,010)</u>
Operating costs and other expenses				
Employee benefit expense	9,925	11,778	31,108	34,865
Interest expense	27,992	14,711	81,563	29,184
Transaction costs	3,146	3,151	10,091	15,711
Other operating expenses	6,571	6,170	27,482	21,448
	<u>47,634</u>	<u>35,810</u>	<u>150,244</u>	<u>101,208</u>
Change in redemption amount of redeemable units	<u>(118,904)</u>	<u>(174,128)</u>	<u>(5,631)</u>	<u>(758,463)</u>
Income (loss) before income tax	<u>(76,162)</u>	<u>(127,031)</u>	<u>6,788</u>	<u>(540,755)</u>
Income tax expense (recovery)	<u>(7,778)</u>	<u>(8,413)</u>	<u>7,910</u>	<u>(59,955)</u>
Net loss for the period	<u>(68,384)</u>	<u>(118,618)</u>	<u>(1,122)</u>	<u>(480,800)</u>
Net loss attributable to:				
Common shareholders	(67,029)	(118,477)	(2,057)	(479,878)
Non-controlling interests	(1,355)	(141)	935	(922)
Net loss per share attributable to common shareholders	<u>(27.07)</u>	<u>(47.72)</u>	<u>(0.83)</u>	<u>(192.56)</u>
Basic and Diluted				

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Senvest Capital Inc.

Interim Consolidated Statements of Comprehensive Loss

(Unaudited) For the three and nine months ended September 30, 2023 and 2022

(in thousands of Canadian dollars)

	2023 \$	2022 \$	2023 \$	2022 \$
Net loss for the period	(68,384)	(118,618)	(1,122)	(480,800)
Other comprehensive income (loss)				
Currency translation differences	32,314	98,366	(3,546)	119,138
Comprehensive loss for the period	<u>(36,070)</u>	<u>(20,252)</u>	<u>(4,668)</u>	<u>(361,662)</u>
Comprehensive loss attributable to:				
Common shareholders	(35,121)	(20,868)	(5,576)	(361,667)
Non-controlling interests	(949)	616	908	5

Other comprehensive income (loss) includes currency translation differences arising from the Company's interest in foreign entities. Accumulated other comprehensive income (loss) arising from currency translation differences arising from the Company's interest in foreign entities will be reclassified to profit and loss upon the disposal of such entities. Currency translation differences arising from the translation of the parent company's consolidated financial statements' translation to the presentation currency will not be subsequently reclassified to profit and loss.

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Senvest Capital Inc.

Interim Consolidated Statements of Changes in Equity

(Unaudited) For the nine months ended September 30, 2023 and 2022

(in thousands of Canadian dollars)

	Attributable to common shareholders					Total equity \$
	Share capital \$	Accumulated other comprehensive income \$	Retained earnings \$	Total \$	Non-controlling interests \$	
Balance – December 31, 2021	20,853	127,620	1,656,171	1,804,644	11,009	1,815,653
Net loss for the period	-	-	(479,878)	(479,878)	(922)	(480,800)
Other comprehensive income	-	118,211	-	118,211	927	119,138
Comprehensive income (loss) for the period	-	118,211	(479,878)	(361,667)	5	(361,662)
Repurchase of common shares	(157)	-	(7,136)	(7,293)	-	(7,293)
Balance – September 30, 2022	20,696	245,831	1,169,157	1,435,684	11,014	1,446,698
Balance – December 31, 2022	20,657	234,254	1,321,347	1,576,258	17,513	1,593,771
Net loss for the period	-	-	(2,057)	(2,057)	935	(1,122)
Other comprehensive loss	-	(3,519)	-	(3,519)	(27)	(3,546)
Comprehensive income (loss) for the period	-	(3,519)	(2,057)	(5,576)	908	(4,668)
Repurchase of common shares	(36)	-	(1,440)	(1,476)	-	(1,476)
Balance – September 30, 2023	20,621	230,735	1,317,850	1,569,206	18,421	1,587,627

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Senvest Capital Inc.

Interim Consolidated Statements of Cash Flows

(Unaudited) For the nine months ended September 30, 2023 and 2022

(in thousands of Canadian dollars)

	Note	2023 \$	2022 \$
Cash flows provided by (used in)			
Operating activities			
Net loss for the period		(1,122)	(480,800)
Adjustments for non-cash items	6a	(64,770)	400,192
Purchase of equity investments and other holdings held for trading		(2,635,768)	(3,580,379)
Purchase of securities sold short and derivative liabilities		(2,418,739)	(6,036,481)
Proceeds on sale of equity investments and other holdings held for trading		3,145,442	3,972,594
Proceeds from securities sold short and derivative liabilities		2,232,816	6,211,777
Dividends and distributions from real estate investments		1,150	20,093
Changes in working capital items	6b	(190,828)	(238,940)
Net cash provided in operating activities		68,181	268,056
Investing activities			
Transfers to restricted short-term investment		-	38
Purchase of real estate investments		(2,338)	(3,490)
Purchase of investment properties		(4,396)	(349)
Purchase of investments in associates		(616)	(441)
Purchase of equity investments and other holdings as fair value through profit or loss		(14,047)	(17,019)
Proceeds from investment properties		-	3,676
Proceeds from investments in associates		-	505
Proceeds from equity investments and other holdings as fair value through profit or loss		41,358	1,325
Net cash provided (used) in investing activities		19,961	(15,755)
Financing activities			
Decrease in bank advances		(167)	30
Payment of operating lease liability		(909)	(675)
Repurchase of common shares		(1,476)	(7,293)
Proceeds from issuance of redeemable units		8,915	25,217
Amounts paid on redemption of redeemable units		(76,037)	(261,641)
Net cash used in financing activities		(69,674)	(244,362)
Increase in cash and cash equivalents		18,468	7,939
Effect of changes in foreign exchange rates on cash and cash equivalents		24	4,405
Cash and cash equivalents – Beginning of period		42,531	52,189
Cash and cash equivalents – End of period		61,023	64,533
Amounts of cash flows classified within operating activities:			
Cash paid for interest		81,968	27,392
Cash paid for dividends on equities sold short		11,930	11,580
Cash received on interest		50,137	11,033
Cash received on dividends		55,682	31,704
Cash paid for income taxes		11,781	8,822

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Senvest Capital Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited) September 30, 2023

(tabular figures are expressed in thousands of Canadian dollars, except per share data)

1 General information

Senvest Capital Inc. (the “Company”) was incorporated under Part I of the Canada Corporations Act on November 20, 1968 under the name Sensormatic Electronics Canada Limited and was continued under the Canada Business Corporations Act under the same name effective July 23, 1979. On April 21, 1991, the Company changed its name to Senvest Capital Inc. The Company and its subsidiaries hold investments in equity and real estate holdings that are located predominantly in the United States. The Company’s head office and principal place of business is located at 1000 Sherbrooke Street West, Suite 2400, Montréal, Quebec H3A 3G4. The Company’s shares are traded on the Toronto Stock Exchange under the symbol “SEC”.

2 Summary of significant accounting policies

Basis of preparation

These unaudited condensed interim financial statements for the nine months ended September 30, 2023, have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements, including IAS 34, ‘Interim financial reporting’. The unaudited condensed interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2022, which have been prepared in accordance with IFRS.

Except as described herein, the accounting policies applied in these unaudited condensed interim financial statements are the same as those applied in the audited consolidated financial statements for the year ended December 31, 2022.

The Board of Directors (Board) approved these condensed interim consolidated financial statements for issue on November 3, 2023.

The preparation of interim consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company’s accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets and financial liabilities at fair value through profit or loss, including derivative instruments, which have been measured at fair value, and investment properties, which are measured at fair value.

Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Senvest Capital Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited) September 30, 2023

(tabular figures are expressed in thousands of Canadian dollars, except per share data)

The financial statements of the Company consolidate the accounts of the Company, its subsidiaries and its structured entities. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation. Where applicable, amounts reported by subsidiaries, associates and structured entities have been adjusted to conform with the Company's accounting policies.

Investments in associates

Associates are entities over which the Company has significant influence but not control, generally accompanying a holding of between 20% to 50% of the voting rights.

Investments in associates held by the Company's investment entities are included in the Company's consolidated financial statements as financial assets at FVTPL. The accounting policies applied to these investments in associates are similar to those applied to the Company's other financial assets at FVTPL and are disclosed in the accounting policy notes discussing the classification and measurement of financial assets and liabilities.

Investment in associates that are not held by the Company's investment entities are included in the Company's consolidated financial statements using the equity method.

Equity method

Participations in associates are initially recorded at cost plus transaction costs. Subsequent to the acquisition date, the Company's share of profits or losses of associates is recognized in the consolidated statements of loss. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Dilution gains and losses arising from changes in interests in investments in associates are recognized in the consolidated statements of loss.

The Company assesses at each year-end whether there is any objective evidence that its interests in associates are impaired. If impaired, the carrying value of the Company's share of the underlying assets of associates is written down to its estimated recoverable amount (being the higher of fair value less cost to sell and value in use) and charged to the consolidated statement of income (loss). In accordance with IAS 36 Impairment of Assets, impairment losses are reversed in subsequent years if the recoverable amount of the investment subsequently increases and the increase can be related objectively to an event occurring after the impairment was recognized.

Liability for redeemable units

Liability for redeemable units represents the units in Senvest Master Fund, L.P., Senvest Technology Partners Master Fund, L.P. and Senvest Cyprus Recovery Investment Partners, L.P. Fund (collectively the "Funds" or individually a "Fund") that are not owned by the Company. Senvest Master Fund, L.P. and Senvest Technology Partners Master Fund, L.P. units may be redeemed as of the end of any calendar quarter subject to the required notice of redemption period, maximum quarterly amounts and redemption fees., Senvest Cyprus Recovery Investment Partners, L.P. Fund has units that can be redeemed semi-annually with a 120 day notice. These units are recognized initially at fair value, net of any transaction costs incurred, and subsequently units are measured at the redemption amount.

Senvest Capital Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited) September 30, 2023

(tabular figures are expressed in thousands of Canadian dollars, except per share data)

Redeemable units are issued and redeemed at the holder's option at prices based on each Fund's net asset value per unit at the time of subscription or redemption. Each Fund's net asset value per unit is calculated by dividing the net assets attributable to the holders of each class of redeemable units by the total number of outstanding redeemable units for each respective class. In accordance with the provisions of the Funds' offering documents, investment positions are valued at the close price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Non-controlling interests

Non-controlling interests represent equity interests in the consolidated structured entities owned by outside parties. The share of net assets of the structured entity attributable to non-controlling interests is presented as a component of equity. Their share of net income and comprehensive income is recognized directly in equity. Changes in the parent company's ownership interest in the structured entity that do not result in a loss of control are accounted for as equity transactions.

Foreign currency translation

Functional currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of the parent company is the US dollar.

Transactions and balances

Foreign currency transactions are translated into the relevant functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the consolidated statement of income (loss).

All foreign exchange gains and losses are presented in the consolidated statement of income in foreign exchange gain (loss).

Consolidation and foreign operations

The financial statements of an entity that has a functional currency different from that of the parent company are translated into US dollars as follows: assets and liabilities – at the closing rate at the date of the consolidated statement of financial position; and income and expenses – at the average rate for the period (as this is considered a reasonable approximation of actual rates). All resulting changes are recognized in other comprehensive income as currency translation differences.

When an entity disposes of its interest in a foreign operation or loses control or significant influence over a foreign operation, the foreign exchange gains or losses accumulated in other comprehensive income related to the foreign operation are recognized in net income. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign exchange gains or losses accumulated in other comprehensive income related to the subsidiary are reallocated between controlling and non-controlling interests.

Senvest Capital Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited) September 30, 2023

(tabular figures are expressed in thousands of Canadian dollars, except per share data)

Presentation currency

The Company has adopted the Canadian dollar as its presentation currency, which in the opinion of management is the most appropriate presentation currency. Historically, the Company's consolidated financial statements have been presented in Canadian dollars, and since the Company's shares are listed on a Canadian stock exchange, management believes it would better serve the use of shareholders to continue issuing consolidated financial statements in Canadian dollars. The US dollar consolidated financial statements described above are translated into the presentation currency as follows: assets and liabilities – at the closing rate at the date of the consolidated statement of financial position; and income and expenses – at the average rate for the period. All resulting changes are recognized in other comprehensive income as currency translation differences. Equity items are translated using the historical rate.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits held with banks and other short-term highly liquid investments with original maturities of three months or less.

Financial assets and liabilities

Recognition, derecognition and offsetting

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and financial liabilities are recognized on the trade date, the date on which the Company commits to purchase or sell the investment.

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable and unconditional right to offset the recognized amounts and when there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Classification and measurement

The classification of financial assets is based on the Company's business models and the financial asset's contractual cash flow characteristics. Business models are reassessed periodically, and contractual cash flows characteristics are assessed to determine whether they are "Solely payments of principal and interest" (SPPI).

The Company assesses its business models individually at the level of the subsidiaries and the associated companies. Information that is considered in determining the business models includes policies and objectives for the financial instrument held in each entity, how risk and performance is measured at the entity level and reported to management and expected future events for the financial instrument with respect to valuation, holding period and selling. All of the group entities' financial assets are managed on a fair value basis with the exception of bank balances and short-term trade receivables. The Company does not hold any long-term financial assets with the intent of solely collecting payments of principal and interest or collecting such payments and selling the assets.

Financial assets, including hybrid contracts, are classified as either amortized cost or the residual classification of fair value through profit and loss (FVTPL).

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Financial assets with cash flows that are SPPI and are held within a business model where the objective is to hold the financial assets in order to collect contractual cash flows (“Hold to collect” business model) are measured at amortized cost.

Financial assets with cash flows that are SPPI but are not held within the “Hold to collect” business model are measured at FVTPL.

Financial assets with cash flows that do not meet the SPPI conditions are measured at FVTPL.

Financial assets held for trading are classified as FVTPL.

Financial liabilities are measured at amortized cost unless they must be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company elects to measure them at FVTPL. The Company has not made such elections.

Financial assets at FVTPL

i. Financial assets and financial liabilities held for trading

A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition it is part of a portfolio of identifiable financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

The Company makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions.

From time to time, the Company enters into derivative financial instruments for speculative purposes. Derivatives are also classified as held for trading. The Company does not classify any derivatives as hedges in a hedging relationship.

ii. Financial assets managed as fair value through profit or loss

Financial assets managed as fair value through profit or loss are financial instruments that are not classified as held for trading but form part of a portfolio that is managed and whose performance is evaluated on a fair value basis in accordance with the Company’s documented investment strategy.

The Company’s policy requires management to evaluate the information about these financial assets and financial liabilities on a fair value basis together with other related financial information.

Recognition, derecognition and measurement

Financial assets and financial liabilities at FVTPL are initially recognized at fair value. Transaction costs are expensed as incurred in the consolidated statement of income (loss).

Subsequent to initial recognition, all financial assets and financial liabilities at FVTPL are measured at fair value which approximates the amount that would be received or paid if the derivative were to be transferred to a market participant at the consolidated statement of financial position date.

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Gains and losses arising from changes in the fair value of financial assets or financial liabilities at FVTPL are presented in the consolidated statement of income (loss) in net change in fair value of equity investments and other holdings or net change in fair value of real estate investments in the period in which they arise.

The fair value is included in equity investments and other holdings if in an asset position or equities sold short and derivative liabilities if in a liability position.

Dividend income from financial assets at fair value through profit or loss is recognized in the consolidated statement of income (loss) as dividend income when the Company's right to receive payment is established. Interest on debt securities at fair value through profit or loss is recognized in the consolidated statement of income (loss) in interest income based on the contractual rate on an accrual basis. Dividend expense from equities sold short is recognized in the consolidated statement of income (loss) as dividend expense on equities sold short.

Financial assets at amortized cost

Classification

Financial assets at amortized cost are non-derivative financial assets with cash flows that are SPPI and that are managed under a "hold to collect" business model.

The Company's financial assets at amortized cost consist of cash and cash equivalents, due from brokers, as well as loans to employees and restricted short-term investment, which are included in other assets.

Recognition and measurement

At initial recognition, the Company measures its financial assets at its fair value plus transactions costs incurred. The amortized cost is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any loss allowance.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets.

Impairment

Substantially all of the Company's financial assets at amortized cost are short-term assets and due by counterparties with low credit risk. The Company monitors its financial assets measured at amortized cost and counterparty risk.

Financial liabilities at amortized cost

Classification

The Company's financial liabilities at amortized cost are non-derivative liabilities that comprise bank advances, trade and other payables, due to brokers, redemptions payable, subscriptions received in advance and liability for redeemable units.

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Recognition and measurement

Trade and other payables are initially recognized at fair value. Subsequently, trade and other payables are measured at amortized cost using the effective interest method. Bank advances, due to brokers, redemptions payable and subscriptions received in advance are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Due from and to brokers

Amounts due from and to brokers represent positive and negative cash balances or margin accounts, and pending trades on the purchase or sale of securities.

Where terms in the prime brokerage agreements permit the prime broker to settle margin balances with cash accounts or collateral, the due from brokers cash balances are offset against the due to brokers margin balances at each prime broker.

Investment properties

Investment properties are properties held to earn rental income and/or for capital appreciation and are not occupied by the Company. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Changes in fair values are recognized in the consolidated statement of income as part of net change in fair value of investment properties in the period in which they arise.

Provision

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

Interest income and dividend income

Interest income

Interest income on debt financial assets measured at amortized cost or fair value through other comprehensive income is recognized using the effective interest method. It includes interest income from cash and cash equivalents.

Dividend income

Dividend income is recognized when the Company's right to receive payments is established.

Transaction costs

Transaction costs are incremental costs that are directly attributable to the acquisition, issue, or disposal of an investment. Transaction costs related to financial assets and financial liabilities at fair value through profit or loss are expensed as incurred. Transaction costs for all other financial instruments are capitalized.

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Income tax

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statement of income except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated statement of financial position date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the consolidated statement of financial position date and will apply when it is expected that the related deferred income tax asset will be realized or the deferred income tax liability settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be used.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Employee benefits

Post-employment benefit obligations

Employees of companies included in these consolidated financial statements have entitlements under Company pension plans which are defined contribution pension plans. The cost of defined contribution pension plans is charged to expense as the contributions become payable and is included in the same line item as the related compensation cost in the consolidated statement of income.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new common shares or options are recorded in equity as a deduction, net of tax, from the proceeds.

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Dividend distribution

Dividends on the Company's common shares are recognized in the Company's consolidated statement of changes in equity in the year in which the dividends are declared and approved by the Company's Board.

Earnings per share

Basic earnings per share is calculated by dividing the net income for the year attributable to equity owners of the parent by the weighted average number of common shares outstanding during the year.

Diluted earnings per share are calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all potentially dilutive instruments. The Company currently does not have any dilutive instruments.

New accounting standards adopted

The Company has early adopted the following IFRS amendments. The adoption of those amendments had no significant effect on the Company's consolidated financial statements.

- IAS 1, 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgements'. The IASB amended IAS 1 to assist entities in determining which material accounting policies are required to be disclosed. To support the IAS 1 amendment, guidance to demonstrate the application of materiality in a 'four-step materiality process' is provided in IFRS Practice Statement 2 to accounting policy disclosures.
- IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'. The IASB amended IAS 8 to help entities distinguish between changes in accounting policies and accounting estimates.

Accounting standards and amendments issued but not yet adopted

The IASB has issued a new standard and various amendment to existing standards that are not mandatory for the September 30, 2023, reporting period and which were not early adopted by the Company. Neither the new standard nor the amendments are relevant to the Company's current activities and transactions.

3 Critical accounting estimates and judgments

Critical accounting estimates

The Company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The following are the estimates applied by management that most significantly affect the Company's consolidated financial statements. These estimates have a significant risk of causing a significant adjustment to the carrying amounts of assets and liabilities within the next fiscal year.

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Fair value of financial instruments

The fair value of financial instruments, including real estate investments, where no active market exists or where listed prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or by using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. To the extent practical, models use only observable data; however, areas such as credit risk (both the Company's own credit risk and counterparty credit risk), volatilities and correlations require management to make estimates.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Fair value of investment properties

The Company has adopted the fair value model in measuring its investment properties. The fair value of the investment properties is performed by external independent knowledgeable valuers located in the area of the properties. Inputs used in the property valuation models are based on appropriate assumptions that reflect the type of property and location. Management reviews the assumptions made and models used to ensure they correlate with their expectation and understanding of the market.

Changes in assumptions about these factors could affect the reported fair value of investment properties.

Income taxes

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the consolidated provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination is made.

Geopolitical events

The recent invasion of Ukraine by Russia and the imposition of economic sanctions by Western countries are causing concern in financial markets. It is difficult to predict the impact of this war on the value of the financial assets held by the Company. Although the risk of recession is increased by this conflict, inflationary pressures have also been on the rise. However, the Company does not hold any assets from Ukraine, Russia and Belarus which reduces the extent of possible variations in the value of its financial assets.

Critical accounting judgments

Consolidation of entities in which the Company holds less than 50% of the voting rights

Management considers the Company to have de facto control of Senvest Management L.L.C. (RIMA), RIMA Senvest Master Fund GP, L.L.C., and Senvest Technology Partners GP, L.L.C. three legal entities wholly owned by an executive of the Company, because of the Company's Board representation and the contractual terms of the investment advisory agreement. RIMA is the investment adviser to the Funds, whereas RIMA Senvest Master Fund GP, L.L.C. is the General Partner of Senvest Master fund LP and Senvest Technology Partners GP LLC is the General Partner of Senvest Technology Partners Master Fund LP. As compensation for

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its sub-advisory services, the Company is entitled to receive 60% of the net management fees through RIMA and incentive allocation earned through the General Partners each fiscal year.

Management considers the Company to have control of Senvest Master Fund, L.P., Senvest Technology Partners, Master Fund L.P. and Senvest Cyprus Recovery Investment Fund, L.P. even though the Company has less than 50% of the voting rights in each of the Funds. The Company assessed that the removal rights of non-affiliated unitholders are exercisable but not strong enough given the Company's decision-making authority over relevant activities, the remuneration to which it is entitled and its exposure to returns. The Company, through its structured entities, is the majority unitholder of each of the Funds and acts as a principal while there are no other unitholders forming a group to exercise their votes collectively.

4 Fair value measurement of financial instruments

Fair value estimation

The tables below analyze financial instruments carried at fair value, by the valuation method. The different levels have been defined as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3 – Inputs that are not based on observable market data

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes “observable” requires significant judgment by the company. The company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

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The following tables analyze within the fair value hierarchy the company's financial assets and financial liabilities measured at fair value as at September 30, 2023 and December 31, 2022.

	As at September 30, 2023			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Financial assets at fair value through profit or loss				
Held for trading				
Equity securities	4,388,965	11,334	-	4,400,299
Debt securities	-	34,993	-	34,993
Derivative financial assets	-	25,434	-	25,434
Other				
Equity securities	43,436	1,111	181,171	225,718
Debt securities	-	1,254	44,492	45,746
Derivatives	-	-	17	17
Real estate investments	-	-	39,109	39,109
	4,432,401	74,126	264,789	4,771,316
Liabilities				
Financial liabilities				
Held for trading				
Equity holdings sold short	595,144	-	-	595,144
Derivatives	-	20,470	-	20,470
	595,144	20,470	-	-
As at December 31, 2022				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Financial assets at fair value through profit or loss				
Held for trading				
Equity securities	4,686,413	8,957	-	4,695,370
Debt securities	-	82,651	-	82,651
Derivative financial assets	-	214,865	-	214,865
Other				
Equity securities	30,174	1,758	201,301	233,233
Debt securities	-	2,365	52,376	54,741
Derivatives	-	-	55	55
Real estate investments	-	-	47,763	47,763
	4,716,587	310,596	301,495	5,328,678
Liabilities				
Financial liabilities				
Held for trading				
Equity holdings sold short	810,045	-	-	810,045
Derivatives	-	48,688	-	48,688
	810,045	48,688	-	858,733

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Financial instruments in Level 1

The fair value of financial assets and financial liabilities traded in active markets are based on quoted market prices at the close of trading on the year-end date. The quoted market price used for financial assets and financial liabilities held by the company is the close price. Investments classified in Level 1 include active listed equities and derivatives traded on an exchange.

Financial instruments in Level 2

Financial instruments classified with Level 2 trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or valuation techniques that use market data. These valuation techniques maximize the use of observable market data where available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. These include corporate bonds, thinly traded listed equities, over-the-counter derivatives and private equities.

The company uses a variety of methods and makes assumptions that are based on market conditions existing at each year-end date. Valuation techniques used for non-standardized financial instruments such as options and other over-the-counter derivatives include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analyses, option pricing models and other valuation techniques commonly used by market participants, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Description

Valuation technique

Equity securities	Quoted market prices or broker quotes for similar instruments
Private equities	Net asset value based on observable inputs
Debt securities	Quoted market prices or broker quotes for similar instruments
Derivatives	Quoted market prices or broker quotes for similar instruments

Financial instruments in Level 3

Investments classified in Level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments consist of unlisted equity investments, debt securities and real estate investments. As observable prices are not available for these securities, the Company has used valuation techniques to derive the fair value.

Level 3 valuations are reviewed by the Company's chief financial officer (CFO), who reports directly to the Board on a quarterly basis in line with the Company's reporting dates. The Board considers the appropriateness of the valuation models and inputs used. On an annual basis, close to the year-end date, the Company obtains independent, third-party appraisals to determine the fair value of the Company's most significant Level 3 holdings. The Company's CFO reviews the results of the independent valuations. Emphasis is placed on the valuation model used to determine its appropriateness, the assumptions made to determine whether it is consistent with the nature of the investment, and market conditions and inputs such as cash flow and discount rates to determine reasonableness.

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As at September 30, 2023 and December 31, 2022, Level 3 instruments are in various entities and industries.

Real estate investments comprising investments in private real estate companies and in real estate income trusts and partnerships. The real estate companies are involved with various types of buildings in different geographical locations. For the main Level 3 instruments, the Company relied on appraisals carried out by independent third-party valuers. There was no established market for any of these investments, so the most likely scenario is a disposal of the underlying assets. For the investments in real estate income trusts and partnerships, the Company relied mainly on audited financial statements, valuing the assets at fair value. The most likely scenario is an eventual sale of the underlying properties and the subsequent distribution to the holders.

5 Equity investments and other holdings, securities sold short and derivative liabilities

Equity investments and other holdings

	As at September 30, 2023 \$	As at December 31, 2022 \$
Assets		
Financial assets at fair value through profit or loss		
Held for trading		
Equity securities	4,400,299	4,695,370
Debt securities	34,993	82,651
Derivative financial assets	25,434	214,865
	<u>4,460,726</u>	<u>4,992,886</u>
Financial assets at fair value through profit or loss		
Other		
Equity securities	225,718	233,233
Debt securities	45,746	54,741
Derivative	17	55
	<u>4,732,207</u>	<u>5,280,915</u>
Current portion	4,460,726	4,992,886
Non-current portion	<u>271,481</u>	<u>288,029</u>
Securities sold short and derivative liabilities		
Liabilities		
Financial liabilities		
Held for trading		
Securities sold short		
Listed equity securities	595,144	810,045
Derivative financial liabilities	20,470	48,688
	<u>615,614</u>	<u>858,733</u>

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6 Supplementary information to consolidated statements of cash flows

(a) Adjustments of items not affecting cash and cash equivalents are as follows:

	2023	2022
	\$	\$
Net change in fair value of equity investments and other holdings	(54,892)	1,255,855
Net change in fair value of real estate investments	9,717	(8,954)
Share of loss of associates, adjusted for distributions received	2,916	(2,174)
Amortization and depreciation	671	637
Change in redemption amount of redeemable units	(5,631)	(758,463)
Deferred income tax	(17,551)	(86,709)
	<u>(64,770)</u>	<u>400,192</u>

(b) Changes in working capital items are as follows:

	2023	2022
	\$	\$
Decrease (increase) in		
Due from brokers	(54,752)	(136,800)
Income taxes receivable	(6,949)	14,207
Other assets	12,986	1,945
Increase (decrease) in		
Trade and other payables	10,820	(40,444)
Due to Brokers	(152,800)	(82,206)
Income taxes payable	(133)	4,358
	<u>(190,828)</u>	<u>(238,940)</u>