
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

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

For the month of September 2018
Commission File Number: 001-35284

Ellomay Capital Ltd.

(Translation of registrant's name into English)

9 Rothschild Blvd., Tel Aviv 6688112, Israel

(Address of principal executive office)

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

Form 20-F ☒ Form 40-F ☐

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

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

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ☐ No ☒

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- _____

THE IFRS FINANCIAL RESULTS INCLUDED IN EXHIBIT 99.1, THE TEXT OF EXHIBITS 99.2 AND 99.3 AND EXHIBIT 101 OF THIS FORM 6-K, ARE HEREBY INCORPORATED BY REFERENCE INTO THE REGISTRANT'S REGISTRATION STATEMENTS ON FORM F-3 (NOS. 333-199696 AND 333-144171) AND FORM S-8 (NOS. 333-187533, 333-102288 AND 333-92491), AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS SUBMITTED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.

This Report on Form 6-K of Ellomay Capital Ltd. consists of the following documents, which are attached hereto and incorporated by reference herein:

[Exhibit 99.1](#) [Press Release: "Ellomay Capital Reports Results for the Three and Six Months Ended June 30, 2018," dated September 25, 2018.](#)

[Exhibit 99.2](#) [Condensed Consolidated Interim Financial Statements As at June 30, 2018 \(Unaudited\).](#)

[Exhibit 99.3](#) [Operating and Financial Review and Prospects for the six months ended June 30, 2018.](#)

Also attached hereto as Exhibit 101 are the Condensed Consolidated Interim Financial Statements As at June 30, 2018 (Unaudited), formatted in XBRL (eXtensible Business Reporting Language), consisting of the following sub-exhibits:

<u>Exhibit Number</u>	<u>Document Description</u>
EX-101.INS	XBRL Taxonomy Instance Document
EX-101.SCH	XBRL Taxonomy Extension Schema
EX-101.CAL	XBRL Taxonomy Extension Calculation Linkbase
EX-101.DEF	XBRL Taxonomy Extension Definition Linkbase
EX-101.LAB	XBRL Taxonomy Extension Label Linkbase
EX-101.PRE	XBRL Taxonomy Extension Presentation Linkbase

Signatures

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

Ellomay Capital Ltd.

By: /s/ Ran Fridrich

Ran Fridrich

Chief Executive Officer and Director

Dated: September 25, 2018



Ellomay Capital Reports Results for the Three and Six Months Ended June 30, 2018

Tel-Aviv, Israel, September 25, 2018 – **Ellomay Capital Ltd.** (NYSE American; TASE: ELLO) (“**Ellomay**” or the “**Company**”), a renewable energy and power generator and developer of renewable energy and power projects in Europe and Israel, today reported its unaudited financial results for the three and six months ended June 30, 2018.

Financial Highlights

Revenues were approximately €8.2 million for the six months ended June 30, 2018, compared to approximately €6.8 million for the six months ended June 30, 2017. The increase in revenues for the first half of 2018 reflects the commencement of operations at the Company’s two waste-to-energy projects in the Netherlands and the results of the Talmei Yosef project, acquired in October 2017, partially offset by lower revenues in Italy due to relatively lower radiation levels compared to the first half of 2017.

Operating expenses were approximately €2.6 million for the six months ended June 30, 2018, compared to approximately €0.9 million for the six months ended June 30, 2017. The increase in operating expenses is mainly attributable to additional operating expenses resulting from the commencement of operations at the Company’s two waste-to-energy projects in the Netherlands and from the Talmei Yosef project. Depreciation expenses were approximately €2.8 million for the six months ended June 30, 2018, compared to approximately €2.2 million for the six months ended June 30, 2017.

Project development costs were approximately €1.8 million for the six months ended June 30, 2018, compared to approximately €1.4 million for the six months ended June 30, 2017. The increase in project development costs is mainly attributable to consultancy expenses in connection with the Talasol Project.

General and administrative expenses were approximately €2 million for the six months ended June 30, 2018, compared to approximately €1.2 million for the six months ended June 30, 2017. The increase in general and administrative expenses resulted mainly from payment of approximately €0.4 million pursuant to a VAT assessment agreement from previous years in Israel and related expenses and from increased expenses resulting from the commencement of operations of the Company’s two waste-to-energy projects in the Netherlands and from the Talmei Yosef project.

The Company’s share of profits of equity accounted investee, after elimination of intercompany transactions, was approximately €0.5 million for the six months ended June 30, 2018, compared to a loss of approximately €0.07 million in the six months ended June 30, 2017. The increase in the Company’s share of profit of equity accounted investee is mainly attributable to an increase in sales of electricity by Dorad due to increased production and lower financing expenses incurred by Dorad for the six months ended June 30, 2018 as a result of the CPI indexation of loans from banks and related parties.

Financing expenses, net was approximately €0.9 million for the six months ended June 30, 2018, compared to approximately €5.8 million for the six months ended June 30, 2017. The decrease in financing expenses was mainly due to: (i) a profit of approximately €0.3 million for the six months ended June 30, 2018 in connection with the reevaluation of derivatives, compared to a loss of approximately €1.6 million for the six months ended June 30, 2017, and (ii) income in connection with exchange rate differences amounting to approximately €0.7 million in the six months ended June 30, 2018, mainly in connection with the Company’s NIS denominated Debentures and the loan to an equity accounted investee, caused by the 2.5% revaluation of the euro against the NIS during this period, compared to expenses in connection with the exchange rate differences amounting to approximately €2.8 million caused by the 1.4% devaluation of the euro against the NIS during the six months ended June 30, 2017.

Tax benefit was approximately €0.2 million for the six months ended June 30, 2018, compared to taxes on income of approximately €0.6 million for the six months ended June 30, 2017. The tax benefit for the six months ended June 30, 2018 resulted mainly from deferred tax income included in connection with the application of a tax incentive in the Netherlands claimable upon filing the relevant tax return by reducing the amount of taxable profit.

Net loss was approximately €1.1 million for the six months ended June 30, 2018, compared to approximately €5.4 million for the six months ended June 30, 2017.

Total other comprehensive loss was approximately €1 million for the six months ended June 30, 2018, compared to a profit of approximately €0.7 million for the six months ended June 30, 2017. The change was mainly due to changes in fair value of cash flow hedges and from foreign currency translation differences on New Israeli Shekel denominated operations, as a result of fluctuations in the euro/NIS exchange rates.

Total comprehensive loss was approximately €2.2 million for the six months ended June 30, 2018, compared to approximately €4.7 million for the six months ended June 30, 2017.

EBITDA was approximately €2.4 million for the six months ended June 30, 2018, compared to approximately €3.2 million for the six months ended June 30, 2017.

Net cash from operating activities was approximately €2.3 million for the six months ended June 30, 2018, compared to approximately €0.6 million for the six months ended June 30, 2017. The increase in net cash from operating activities is mainly from an interest payment received during 2018 on a loan to an equity accounted investee and from increased cash flow resulting from the commencement of operations of a waste-to-energy project in the Netherlands and Talmei Yosef project.

In May 2018, the Company entered into a €35.9 million project finance Facility Agreement (the “**Facility Agreement**”). The Facility Agreement was executed among several of the Company’s Italian subsidiaries (the “**Subsidiaries**”) and Mediocredito Italiano S.p.A and Intesa Sanpaolo S.p.A. (as account bank). The euro 35.9 million principal amount is divided into: (i) term loan facilities in the aggregate amount of euro 33.7 million with terms ending in May 2028, and (ii) revolving facilities, aimed to cover financial needs for the debt service coverage in case of liquidity shortfall, in the aggregate amount of euro 2.2 million with terms ending in November 2027. The loans provided under the Facility Agreement bear an annual interest rate equal to the Euribor 6 month rate plus a margin of 185 basis points. The Subsidiaries entered into the swap agreements on May 29, 2018 with respect to approximately Euro 25 million (with a decreasing notional principal amount based on the amortization table) until May 2028, replacing the Euribor 6 month rate with a fixed interest rate of 0.71%, resulting in a fixed interest rate of 2.56%. The Subsidiaries partially used the funds borrowed under the Facility Agreement to repay outstanding loans and leasing agreements in the aggregate amount of approximately €13.2 million.

As of September 1, 2018, the Company held approximately €47.5 million in cash and cash equivalents, approximately €2.2 million in marketable securities and approximately €5.4 million in restricted short-term and long-term cash and marketable securities.

Ran Fridrich, CEO and a board member of Ellomay commented: “The results for the first half of 2018 meet our expectations and reflect a strong cash flow from operating activities and an increase in revenues. We expect that the commencement of operations of the projects that are currently in the development stage – Talasol in Spain and the pumped storage project in the Manara Cliff, as well as other projects – will in the future bring about substantial increase in the Ellomay’s revenues and profit.”

Information for the Company’s Series A and Series B Debenture Holders

As of June 30, 2018, the Company’s Net Financial Debt (as such term is defined in the Deeds of Trust of the Company’s Debentures) was approximately €7.1 million (consisting of approximately €73.4 million of short-term and long-term debt from banks and other interest bearing financial obligations and approximately €56.4 million in connection with the Series A Debentures issuances (in January and September 2014) and the Series B Debentures issuance (in March 2017), net of approximately €47.8 million of cash and cash equivalents and marketable securities and net of approximately €64.9 million of project finance and related hedging transactions of the Company’s subsidiaries).

Use of NON-IFRS Financial Measures

EBITDA is a non-IFRS measure and is defined as earnings before financial expenses, net, taxes, depreciation and amortization. The Company presents this measure in order to enhance the understanding of the Company’s historical financial performance and to enable comparability between periods. While the Company considers EBITDA to be an important measure of comparative operating performance, EBITDA should not be considered in isolation or as a substitute for net income or other statement of operations or cash flow data prepared in accordance with IFRS as a measure of profitability or liquidity. EBITDA does not take into account the Company’s commitments, including capital expenditures, and restricted cash and, accordingly, is not necessarily indicative of amounts that may be available for discretionary uses. Not all companies calculate EBITDA in the same manner, and the measure as presented may not be comparable to similarly-titled measures presented by other companies. The Company’s EBITDA may not be indicative of the historic operating results of the Company; nor is it meant to be predictive of potential future results. A reconciliation between results on an IFRS and non-IFRS basis is provided in the last table of this press release.

About Ellomay Capital Ltd.

Ellomay is an Israeli based company whose shares are registered with the NYSE American and with the Tel Aviv Stock Exchange under the trading symbol “ELLO”. Since 2009, Ellomay Capital focuses its business in the renewable energy and power sectors in Europe and Israel.

To date, Ellomay has evaluated numerous opportunities and invested significant funds in the renewable, clean energy and natural resources industries in Israel, Italy and Spain, including:

Approximately 22.6MW of photovoltaic power plants in Italy, approximately 7.9MW of photovoltaic power plants in Spain and a photovoltaic power plant of approximately 9 MW in Israel;
9.375% indirect interest in Dorad Energy Ltd., which owns and operates one of Israel’s largest private power plants with production capacity of approximately 850 MW, representing about 6%-8% of Israel’s total current electricity consumption;
75% of Chashgal Elyon Ltd., Agira Sheuva Electra, L.P. and Ellomay Pumped Storage (2014) Ltd., all of which are involved in a project to construct a 156 MW pumped storage hydro power plant in the Manara Cliff, Israel;
51% of Groen Gas Goor B.V. and of Groen Gas Oude-Tonge B.V., project companies developing anaerobic digestion plants with a green gas production capacity of approximately 375 Nm³/h, in Goor, the Netherlands and 475 Nm³/h, in Oude Tonge, the Netherlands, respectively.

Ellomay Capital is controlled by Mr. Shlomo Nehama, Mr. Hemi Raphael and Mr. Ran Fridrich. Mr. Nehama is one of Israel’s prominent businessmen and the former Chairman of Israel’s leading bank, Bank Hapoalim, and Messrs. Raphael and Fridrich both have vast experience in financial and industrial businesses. These controlling shareholders, along with Ellomay’s dedicated professional management, accumulated extensive experience in recognizing suitable business opportunities worldwide. Ellomay believes the expertise of Ellomay’s controlling shareholders and management enables the Company to access the capital markets, as well as assemble global institutional investors and other potential partners. As a result, we believe Ellomay is capable of considering significant and complex transactions, beyond its immediate financial resources.

For more information about Ellomay, visit <http://www.ellomay.com>.

Information Relating to Forward-Looking Statements

This press release contains forward-looking statements that involve substantial risks and uncertainties, including statements that are based on the current expectations and assumptions of the Company’s management. All statements, other than statements of historical facts, included in this press release regarding the Company’s plans and objectives, expectations and assumptions of management are forward-looking statements. The use of certain words, including the words “estimate,” “project,” “intend,” “expect,” “believe” and similar expressions are intended to identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The Company may not actually achieve the plans, intentions or expectations disclosed in the forward-looking statements and you should not place undue reliance on the Company’s forward-looking statements. Various important factors could cause actual results or events to differ materially from those that may be expressed or implied by the Company’s forward-looking statements, including weather conditions, regulatory changes, changes in the supply and prices of resources required for the operation of the Company’s facilities (such as waste and natural gas), changes in demand and technical and other disruptions in the operations or construction of the power plants owned by the Company. These and other risks and uncertainties associated with the Company’s business are described in greater detail in the filings the Company makes from time to time with Securities and Exchange Commission, including its Annual Report on Form 20-F. The forward-looking statements are made as of this date and the Company does not undertake any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Contact:

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Condensed Consolidated Statements of Financial Position

		December 31, 2017	June 30, 2018	June 30, 2018
		Audited	Unaudited	Unaudited
	Note	€in thousands		Convenience Translation into US\$ in thousands
Assets				
Current assets				
Cash and cash equivalents		23,962	45,610	53,171
Marketable securities		2,162	2,238	2,609
Restricted cash and marketable securities		3,265	3,346	3,901
Receivable from concession project		1,286	1,263	1,472
Financial assets		1,249	1,293	1,507
Trade and other receivables	5	10,645	10,653	12,419
		42,569	64,403	75,079
Non-current assets				
Investment in equity accounted investee	6	27,655	26,780	31,220
Advances on account of investments	6	8,825	8,805	10,265
Receivable from concession project		27,725	26,685	31,109
Fixed assets		78,837	79,374	92,533
Intangible asset		5,505	5,077	5,919
Restricted cash and deposits		3,660	2,005	2,337
Deferred tax		1,777	2,314	2,698
Long term receivables	5	1,535	1,305	1,521
		155,519	152,345	177,602
Total assets		198,088	216,748	252,681
Liabilities and Equity				
Current liabilities				
Current maturities of long term loans		3,103	5,196	6,057
Debentures		4,644	4,541	5,294
Trade payables		1,349	1,677	1,955
Other payables		2,187	2,964	3,455
		11,283	14,378	16,761
Non-current liabilities				
Finance lease obligations		3,690	-	-
Long-term loans		42,091	63,676	74,232
Debentures		52,987	51,814	60,404
Deferred tax		5,982	6,022	7,020
Other long-term liabilities		4,555	5,535	6,453
		109,305	127,047	148,109
Total liabilities		120,588	141,425	164,870
Equity				
Share capital		19,980	19,980	23,292
Share premium		58,339	58,341	68,013
Treasury shares		(1,736)	(1,736)	(2,024)
Reserves		2,357	1,289	1,503
Accumulated deficit		(299)	(1,197)	(1,395)
Total equity attributed to shareholders of the Company		78,641	76,677	89,389
Non-Controlling Interest		(1,141)	(1,354)	(1,578)
Total equity		77,500	75,323	87,811
Total liabilities and equity		198,088	216,748	252,681

* Convenience translation into US\$ (exchange rate as at June 30, 2018: euro 1 = US\$ 1.166)

Condensed Consolidated Statements of Comprehensive Income (in thousands, except per share data)

	For the year ended December 31, 2017	For the three months ended June 30, 2017 2018		For the six months ended June 30 2017 2018		For the six months ended June 30, 2018
	Audited	Unaudited		Unaudited		Unaudited
	€in thousands	€in thousands		€in thousands		Convenience Translation into US\$*
Revenues	13,636	4,245	5,119	6,768	8,151	9,502
Operating expenses	(2,549)	(359)	(1,710)	(863)	(2,610)	(3,043)
Depreciation expenses	(4,518)	(1,101)	(1,409)	(2,198)	(2,767)	(3,226)
Gross profit	6,569	2,785	2,000	3,707	2,774	3,233
Project development costs	**(2,739)	**(762)	(975)	**(1,431)	(1,771)	(2,065)
General and administrative expenses	**(2,420)	**(620)	(792)	**(1,210)	(1,977)	(2,305)
Share of profits of equity accounted investee	1,531	(857)	(662)	(73)	501	584
Other income, net	18	4	69	9	73	85
Operating profit (loss)	2,959	550	(360)	1,002	(400)	(468)
Financing income	1,333	203	475	291	1,588	1,851
Financing expenses in connection with derivatives and other assets, net	(3,156)	(1,590)	737	(1,590)	285	332
Financing expenses	(7,405)	(2,360)	(1,769)	(4,463)	(2,789)	(3,251)
Financing expenses, net	(9,228)	(3,747)	(557)	(5,762)	(916)	(1,068)
Loss before taxes on income	(6,269)	(3,197)	(917)	(4,760)	(1,316)	(1,536)
Taxes on income	(372)	(533)	193	(649)	182	212
Loss for the period	(6,641)	(3,730)	(724)	(5,409)	(1,134)	(1,324)
Loss attributable to:						
Owners of the Company	(6,115)	(3,615)	(642)	(5,166)	(898)	(1,048)
Non-controlling interests	(526)	(115)	(82)	(243)	(236)	(276)
Loss for the period	(6,641)	(3,730)	(724)	(5,409)	(1,134)	(1,324)
Other comprehensive income (loss) items that after initial recognition in comprehensive income (loss) were or will be transferred to profit or loss:						
Foreign currency translation differences for foreign operations	(359)	(456)	499	214	(799)	(931)
Effective portion of change in fair value of cash flow hedges	(1,244)	(126)	202	(126)	(724)	(844)
Net change in fair value of cash flow hedges transferred to profit or loss	1,382	618	(277)	618	478	557
Total other comprehensive income (loss)	(221)	36	424	706	(1,045)	(1,218)
Total comprehensive loss for the period	(6,862)	(3,694)	(301)	(4,703)	(2,179)	(2,542)
Basic net loss per share	(0.57)	(0.31)	(0.06)	(0.49)	(0.08)	(0.1)
Diluted net loss per share	(0.57)	(0.31)	(0.06)	(0.49)	(0.08)	(0.1)

* Convenience translation into US\$ (exchange rate as at June 30, 2018: euro 1 = US\$ 1.166)

** The Company changed the income statement classification of expenses related to project development from general and administrative expenses to project development costs to reflect more appropriately their nature and the way in which economic benefits are expected to be derived from the use of such costs. Comparative amounts were reclassified for consistency.

Condensed Consolidated Statements of Changes in Equity (in thousands)

	Attributable to shareholders of the Company							Non-controlling Interests	Total Equity
	Share capital	Share premium	Retained earnings (accumulated deficit)	Treasury shares	Translation reserve from foreign Operations	Hedging Reserve	Total		
	€in thousands								
For the six month ended June 30, 2018 (unaudited):									
January 1, 2018	19,980	58,339	(299)	(1,736)	2,219	138	78,641	(1,141)	77,500
Loss for the year	-	-	(898)	-	-	-	(898)	(236)	(1,134)
Other comprehensive loss for the year	-	-	-	-	(822)	(246)	(1,068)	23	(1,045)
Total comprehensive loss for the year	-	-	(898)	-	(822)	(246)	(1,966)	(213)	(2,179)
Transactions with owners of the Company, recognized directly in equity:									
Share-based payments	-	2	-	-	-	-	2	-	2
Balance as at June 30, 2018	19,980	58,341	(1,197)	(1,736)	1,397	(108)	76,677	(1,354)	75,323

	Attributable to shareholders of the Company							Non-controlling Interests	Total Equity
	Share capital	Share premium	Retained earnings (accumulated deficit)	Treasury shares	Translation reserve from foreign Operations	Hedging Reserve	Total		
	US\$ in thousands*								
For the six month ended June 30, 2018 (unaudited):									
January 1, 2018	23,292	68,010	(347)	(2,024)	2,587	161	91,679	(1,329)	90,350
Loss for the year	-	-	(1,048)	-	-	-	(1,048)	(276)	(1,324)
Other comprehensive loss for the year	-	-	-	-	(958)	(287)	(1,245)	27	(1,218)
Total comprehensive loss for the year	-	-	(1,048)	-	(958)	(287)	(2,293)	(249)	(2,542)
Transactions with owners of the Company, recognized directly in equity:									
Share-based payments	-	3	-	-	-	-	3	-	3
Balance as at June 30, 2018	23,292	68,013	(1,395)	(2,024)	1,629	(126)	89,389	(1,578)	87,811

Condensed Consolidated Interim Statements of Changes in Equity (in thousands) (cont'd)

	Attributable to shareholders of the Company							Non-controlling Interests	Total Equity
	Share capital	Share premium	Retained earnings (accumulated deficit)	Treasury shares	Translation reserve from foreign Operations €in thousands	Hedging Reserve	Total		
For the year ended December 31, 2017 (audited):									
Balance as at January 1, 2017	19,980	58,334	5,816	(1,722)	2,664	-	85,072	(701)	84,371
Loss for the year	-	-	(6,115)	-	-	-	(6,115)	(526)	(6,641)
Other comprehensive loss for the year	-	-	-	-	(445)	138	(307)	86	(221)
Total comprehensive loss for the year	-	-	(6,115)	-	(445)	138	(6,422)	(440)	(6,862)
Transactions with owners of the Company, recognized directly in equity:									
Own shares acquired	-	-	-	(14)	-	-	(14)	-	(14)
Share-based payments	-	5	-	-	-	-	5	-	5
Balance as at December 31, 2017	19,980	58,339	(299)	(1,736)	2,219	138	78,641	(1,141)	77,500

	Attributable to shareholders of the Company							Non-controlling Interests	Total Equity
	Share capital	Share premium	Retained earnings (accumulated deficit)	Treasury shares	Translation reserve from foreign Operations €in thousands	Hedging Reserve	Total		
For the six month ended June 30, 2017 (unaudited):									
Balance as at January 1, 2017	19,980	58,334	5,816	(1,722)	2,664	-	85,072	(701)	84,371
Loss for the period	-	-	(5,166)	-	-	-	(5,166)	(243)	(5,409)
Other comprehensive loss for the period	-	-	-	-	222	492	714	(8)	706
Total comprehensive loss for the period	-	-	(5,166)	-	222	492	(4,452)	(251)	(4,703)
Transactions with owners of the Company, recognized directly in equity:									
Share-based payments	-	2	-	-	-	-	2	-	2
Own shares acquired	-	-	-	(14)	-	-	(14)	-	(14)
Balance as at June 30, 2017	19,980	58,336	650	(1,736)	2,886	492	80,608	(952)	79,656

Condensed Consolidated Interim Statements of Cash Flow (in thousands)

	For the year ended December 31, 2017	For the three months ended June 30, 2017	For the three months ended June 30, 2018	For the six months ended June 30, 2017	For the six months ended June 30, 2018	For the six months ended June 30, 2018
	Audited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	€ in thousands					Convenience Translation into US\$*
Cash flows from operating activities						
Loss for the period	(6,641)	(3,730)	(725)	(5,409)	(1,134)	(1,324)
Adjustments for:						
Financing expenses, net	9,228	3,747	557	5,762	916	1,068
Depreciation	4,518	1,101	1,409	2,198	2,767	3,226
Share-based payment transactions	5	2	1	2	2	3
Share of profits of equity accounted investees	(1,531)	857	662	73	(501)	(584)
Payment of interest on loan from an equity accounted investee	407	-	-	-	1,176	1,371
Change in trade receivables and other receivables	2,012	377	(525)	299	156	182
Change in other assets	126	440	(536)	804	135	157
Change in receivables from concessions project	(84)	-	372	-	622	725
Change in accrued severance pay, net	2	-	17	1	17	20
Change in trade payables	(258)	(542)	(21)	(215)	328	382
Change in other payables	(2,655)	(2,748)	113	(2,282)	(310)	(361)
Taxes on income	372	533	(193)	649	(182)	(212)
Income taxes paid	(42)	-	(15)	-	(16)	(19)
Interest received	505	137	493	225	888	1,035
Interest paid	(3,659)	(1,359)	(2,215)	(1,514)	(2,597)	(3,028)
Net cash provided by operating activities	2,305	(1,185)	606	593	2,267	2,641
Cash flows from investing activities						
Acquisition of fixed assets	(7,576)	(2,752)	(1,494)	(4,116)	(2,606)	(3,038)
Acquisition of subsidiary, net of cash acquired	(9,851)	-	-	-	-	-
Advances on account of investments	(8,000)	(8,942)	-	(8,978)	-	-
Repayment of loan to an equity accounted investee	-	-	-	-	490	571
Acquisition of marketable securities	(6,677)	(4,711)	-	(6,677)	-	-
Proceeds from marketable securities	1,277	-	-	-	-	-
Decrease in restricted cash, net	3,225	(103)	1,525	3,226	1,604	1,870
Proceeds of Forward contract	-	-	407	-	407	474
Settlement of derivatives, net	620	-	(199)	(2,027)	(184)	(215)
Loans to others	(361)	(361)	-	(361)	-	-
Net cash used in investing activities	(27,343)	(16,869)	239	(18,933)	(289)	(338)
Cash flows from financing activities						
Repayment of long-term loans and finance lease obligations	(2,224)	(664)	(14,550)	(746)	(14,727)	(17,168)
Proceeds from issuance of debentures, net	31,175	-	-	31,175	-	-
Repayment of Debentures	(4,842)	-	-	-	-	-
Proceeds from long-term loans	5,575	3,450	34,461	5,419	34,501	40,221
Repurchase of own shares	(14)	(1)	-	(14)	-	-
Net cash provided by (used in) financing activities	29,670	2,785	19,911	35,834	19,774	23,053
Effect of exchange rate fluctuations on cash and cash equivalents	(3,156)	(1,689)	97	(1,836)	(104)	(119)
Increase in cash and cash equivalents	1,476	(16,958)	19,641	15,658	21,648	25,237
Cash and cash equivalents at the beginning of the period	22,486	55,102	25,969	22,486	23,962	27,934
Cash and cash equivalents at the end of the period	23,962	38,144	45,610	38,144	45,610	53,171

* Convenience translation into US\$ (exchange rate as at June 30, 2018: euro 1 = US\$ 1.166)

Reconciliation of Loss to EBITDA (in thousands)

	For the year ended December 31, 2017	For the three months ended June 30, 2017	For the three months ended June 30, 2018	For the six months ended June 30, 2017	For the six months ended June 30, 2018	For the six months ended June 30, 2018
	Unaudited					
	€ in thousands					Convenience Translation into US\$*
Net loss for the period	(6,641)	(3,730)	(725)	(5,409)	(1,134)	(1,324)
Financing expenses, net	9,228	3,747	557	5,762	916	1,068
Taxes on income	372	533	(193)	649	(182)	(212)
Depreciation	4,518	1,101	1,409	2,198	2,767	3,226
EBITDA	7,477	1,651	1,048	(3,200)	2,367	2,758

* Convenience translation into US\$ (exchange rate as at June 30, 2018: euro 1 = US\$ 1.166)

Ellomay Capital Ltd. and its Subsidiaries
Condensed Consolidated Interim Financial Statements
As at June 30, 2018
(Unaudited)

Condensed Consolidated Unaudited Interim Financial Statements

Contents	Page
<u>Condensed Consolidated Unaudited Interim Statements of Financial Position</u>	F-2
<u>Condensed Consolidated Unaudited Interim Statements of Comprehensive Income (Loss)</u>	F-3
<u>Condensed Consolidated Unaudited Interim Statements of Changes in Equity</u>	F-4 - F-7
<u>Condensed Consolidated Unaudited Interim Statements of Cash Flows</u>	F-8
<u>Notes to the Condensed Consolidated Unaudited Interim Financial Statements</u>	F-9

Condensed Consolidated Unaudited Interim Statements of Financial Position

		December 31, 2017**	June 30, 2018	June 30, 2018
				Convenience Translation into US\$ in thousands*
	Note	€in thousands		
Assets				
Current assets				
Cash and cash equivalents		23,962	45,610	53,171
Marketable securities		2,162	2,238	2,609
Restricted cash and marketable securities		3,265	3,346	3,901
Contract asset from concession project		1,286	1,263	1,472
Financial assets		1,249	1,293	1,507
Trade and other receivables	5	10,645	10,653	12,419
		42,569	64,403	75,079
Non-current assets				
Investment in equity accounted investee	6	27,655	26,780	31,220
Advances on account of investments	6	8,825	8,805	10,265
Contract asset from concession project		27,725	26,685	31,109
Fixed assets		78,837	79,374	92,533
Intangible asset		5,505	5,077	5,919
Restricted cash and deposits		3,660	2,005	2,337
Deferred tax		1,777	2,314	2,698
Long term receivables	5	1,535	1,305	1,521
		155,519	152,345	177,602
Total assets		198,088	216,748	252,681
Liabilities and Equity				
Current liabilities				
Current maturities of long term loans		3,103	5,196	6,057
Debentures		4,644	4,541	5,294
Trade payables		1,349	1,677	1,955
Other payables		2,187	2,964	3,455
		11,283	14,378	16,761
Non-current liabilities				
Finance lease obligations		3,690	-	-
Long-term loans		42,091	63,676	74,232
Debentures		52,987	51,814	60,404
Deferred tax		5,982	6,022	7,020
Other long-term liabilities		4,555	5,535	6,453
		109,305	127,047	148,109
Total liabilities		120,588	141,425	164,870
Equity				
Share capital		19,980	19,980	23,292
Share premium		58,339	58,341	68,013
Treasury shares		(1,736)	(1,736)	(2,024)
Reserves		2,357	1,289	1,503
Accumulated deficit		(299)	(1,197)	(1,395)
Total equity attributed to shareholders of the Company		78,641	76,677	89,389
Non-Controlling Interest		(1,141)	(1,354)	(1,578)
Total equity		77,500	75,323	87,811
Total liabilities and equity		198,088	216,748	252,681

* Convenience translation into US\$ (exchange rate as at June 30, 2018: euro 1 = US\$ 1.166)

** The data was taken from the audited annual financial statements.

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

Condensed Consolidated Unaudited Interim Statements of Comprehensive Income (Loss)

	For the year ended December 31, 2017**	For the six months ended June 30, 2017	For the six months ended June 30, 2018	For the six months ended June 30, 2018 Convenience Translation into US\$*
	€in thousands (except per share amounts)			
Revenues	13,636	6,768	8,151	9,502
Operating expenses	(2,549)	(863)	(2,610)	(3,043)
Depreciation and amortization expenses	(4,518)	(2,198)	(2,767)	(3,226)
Gross profit	6,569	3,707	2,774	3,233
Project development costs	(2,739)	(1,431)	(1,771)	(2,065)
General and administrative expenses	(2,420)	(1,210)	(1,977)	(2,305)
Share of profits (loss) of equity accounted investee	1,531	(73)	501	584
Other income, net	18	9	73	85
Operating Profit (Loss)	2,959	1,002	(400)	(468)
Financing income	1,333	291	1,588	1,851
Financing income (expenses) in connection with derivatives, net	(3,156)	(1,590)	285	332
Financing expenses	(7,405)	(4,463)	(2,789)	(3,251)
Financing expenses, net	(9,228)	(5,762)	(916)	(1,068)
Loss before taxes on income	(6,269)	(4,760)	(1,316)	(1,536)
Tax benefit (Taxes on income)	(372)	(649)	182	212
Loss for the period	(6,641)	(5,409)	(1,134)	(1,324)
Loss attributable to:				
Owners of the Company	(6,115)	(5,166)	(898)	(1,048)
Non-controlling interests	(526)	(243)	(236)	(276)
Loss for the period	(6,641)	(5,409)	(1,134)	(1,324)
Other comprehensive income (loss) items that after initial recognition in comprehensive income (loss) were or will be transferred to profit or loss:				
Foreign currency translation differences for foreign Operations	(359)	214	(799)	(931)
Effective portion of change in fair value of cash flow Hedges	(1,244)	(126)	(724)	(844)
Net change in fair value of cash flow hedges transferred to profit or loss	1,382	618	478	557
Total other comprehensive loss	(221)	706	(1,045)	(1,218)
Total comprehensive loss for the period	(6,862)	(4,703)	(2,179)	(2,542)
Basic loss per share	(0.57)	(0.49)	(0.08)	(0.1)
Diluted loss per share	(0.57)	(0.49)	(0.08)	(0.1)

* Convenience translation into US\$ (exchange rate as at June 30, 2018: euro 1 = US\$ 1.166)

** The data was taken from the audited annual financial statements.

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

Condensed Consolidated Unaudited Interim Statements of Changes in Equity

	Attributable to shareholders of the Company								
Share capital	Share Premium	Retained earnings (accumulated deficit)	Treasury shares	Translation reserve from foreign operations	Hedging Reserve	Total	Non-controlling Interests	Total Equity	
				€ in thousands					
For the six month ended June 30, 2018:									
Balance as at January 1, 2018	19,980	58,339	(299)	(1,736)	2,219	138	78,641	(1,141)	77,500
Loss for the year	-	-	(898)	-	-	-	(898)	(236)	(1,134)
Other comprehensive loss for the year	-	-	-	-	(822)	(246)	(1,068)	23	(1,045)
Total comprehensive loss for the year	-	-	(898)	-	(822)	(246)	(1,966)	(213)	(2,179)
Transactions with owners of the Company, recognized directly in equity:									
Share-based payments	-	2	-	-	-	-	2	-	2
Balance as at June 30, 2018	19,980	58,341	(1,197)	(1,736)	1,397	(108)	76,677	(1,354)	75,323

Condensed Consolidated Unaudited Interim Statements of Changes in Equity

	Attributable to shareholders of the Company								
		Share premium	Retained earnings (accumulated deficit)	Treasury shares	Translation reserve from foreign operations	Hedging Reserve	Total	Non-controlling Interests	Total Equity
	Share capital								
	US\$ in thousands*								
For the six month ended June 30, 2018:									
Balance as at January 1, 2018	23,292	68,010	(347)	(2,024)	2,587	161	91,679	(1,329)	90,350
Loss for the year	-	-	(1,048)	-	-	-	(1,048)	(276)	(1,324)
Other comprehensive loss for the year	-	-	-	-	(958)	(287)	(1,245)	27	(1,218)
Total comprehensive loss for the year	-	-	(1,048)	-	(958)	(287)	(2,293)	(249)	(2,542)
Transactions with owners of the Company, recognized directly in equity:									
Share-based payments	-	3	-	-	-	-	3	-	3
Balance as at June 30, 2018	23,292	68,013	(1,395)	(2,024)	1,629	(126)	89,389	(1,578)	87,811

* Convenience translation into US\$ (exchange rate as at June 30, 2018: euro 1 = US\$ 1.166)

Condensed Consolidated Unaudited Interim Statements of Changes in Equity

	Attributable to shareholders of the Company						Non-controlling Interests	Total Equity	
Share capital	Share premium	Retained earnings (accumulated deficit)	Treasury shares	Translation reserve from foreign operations	Hedging Reserve	Total			
€in thousands									
For the year ended December 31, 2017*:									
Balance as at January 1, 2017	19,980	58,334	5,816	(1,722)	2,664	-	85,072	(701)	84,371
Loss for the year	-	-	(6,115)	-	-	-	(6,115)	(526)	(6,641)
Other comprehensive loss for the year	-	-	-	-	(445)	138	(307)	86	(221)
Total comprehensive loss for the year	-	-	(6,115)	-	(445)	138	(6,422)	(440)	(6,862)
Transactions with owners of the Company, recognized directly in equity:									
Own shares acquired	-	-	-	(14)	-	-	(14)	-	(14)
Share-based payments	-	5	-	-	-	-	5	-	5
Balance as at December 31, 2017	19,980	58,339	(299)	(1,736)	2,219	138	78,641	(1,141)	77,500

* The data was taken from the audited annual financial statements.

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

Condensed Consolidated Unaudited Interim Statements of Changes in Equity

	Attributable to shareholders of the Company								
Share capital	Share premium	Retained earnings (accumulated deficit)	Treasury shares	Translation reserve from foreign operations	Hedging Reserve	Total	Non-controlling Interests	Total Equity	
€ in thousands									
For the six month ended June 30, 2017:									
Balance as at January 1, 2017	19,980	58,334	5,816	(1,722)	2,664	-	85,072	(701)	84,371
Loss for the period	-	-	(5,166)	-	-	-	(5,166)	(243)	(5,409)
Other comprehensive loss for the period	-	-	-	-	222	492	714	(8)	706
Total comprehensive loss for the period	-	-	(5,166)	-	222	492	(4,452)	(251)	(4,703)
Transactions with owners of the Company, recognized directly in equity:									
Share-based payments	-	2	-	-	-	-	2	-	2
Own shares acquired	-	-	-	(14)	-	-	(14)	-	(14)
Balance as at June 30, 2017	19,980	58,336	650	(1,736)	2,886	492	80,608	(952)	79,656

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

Condensed Consolidated Unaudited Interim Statements of Cash Flows

	For the year ended December 31, 2017	For the six months ended June 30, 2017	For the six months ended June 30, 2018	For the six months ended June 30, 2018 Convenience Translation into US\$*
	€ in thousands			
Cash flows from operating activities				
Loss for the period	(6,641)	(5,409)	(1,134)	(1,324)
<u>Adjustments for:</u>				
Net financing expenses	9,228	5,762	916	1,068
Depreciation	4,518	2,198	2,767	3,226
Share-based payment transactions	5	2	2	3
Share of losses (profits) of equity accounted investees	(1,531)	73	(501)	(584)
Payment of interest on loan from an equity accounted investee	407	-	1,176	1,371
Change in trade receivables and other receivables	2,012	299	156	182
Change in other assets	126	804	135	157
Change in Contract asset from concession project	(84)	-	622	725
Change in accrued severance pay, net	2	1	17	20
Change in trade payables	(258)	(215)	328	382
Change in other payables	(2,655)	(2,282)	(310)	(361)
Income tax expense (tax benefit)	372	649	(182)	(212)
Income taxes paid	(42)	-	(16)	(19)
Interest received	505	225	888	1,035
Interest paid	(3,659)	(1,514)	(2,597)	(3,028)
Net cash from (used in) operating activities	2,305	593	2,267	2,641
Cash flows from investing activities				
Acquisition of fixed assets	(7,576)	(4,116)	(2,606)	(3,038)
Acquisition of subsidiary, net of cash acquired	(9,851)	-	-	-
Advances on account of investments	(8,000)	(8,978)	-	-
Repayment of loan from an equity accounted investee	-	-	490	571
Acquisition of marketable securities	(6,677)	(6,677)	-	-
Proceeds from marketable securities	1,277	-	-	-
Decrease (increase) in restricted cash, net	3,225	3,226	1,604	1,870
Proceeds of Forward contract	-	-	407	474
Settlement of derivatives, net	620	(2,027)	(184)	(215)
Loans to others	(361)	(361)	-	-
Net cash used in investing activities	(27,343)	(18,933)	(289)	(338)
Cash flows from financing activities				
Repayment of long-term loans and finance lease Obligations	(2,224)	(746)	(14,727)	(17,168)
Proceeds from issuance of Debentures, net	31,175	31,175	-	-
Repayment of Debentures	(4,842)	-	-	-
Proceeds from long term loans, net	5,575	5,419	34,501	40,221
Repurchase of own shares	(14)	(14)	-	-
Net cash from financing activities	29,670	35,834	19,774	23,053
Exchange differences on balance of cash and cash equivalents	(3,156)	(1,836)	(104)	(119)
Increase (decrease) in cash and cash equivalents	1,476	15,658	21,648	25,237
Cash and cash equivalents at the beginning of the period	22,486	22,486	23,962	27,934
Cash and cash equivalents at the end of the period	23,962	38,144	45,610	53,171

* Convenience translation into US\$ (exchange rate as at June 30, 2018: euro 1 = US\$ 1.166)

** The data was taken from the audited annual financial statements.

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

Notes to the Condensed Consolidated Unaudited Interim Financial Statements

Note 1 - General**A.**

Ellomay Capital Ltd. (hereinafter - the “Company”), is an Israeli Company involved in the production of renewable and clean energy. The Company owns seventeen PV Plants that are operating and connected to their respective national grids as follows: (i) twelve photovoltaic plants in Italy with an aggregate installed capacity of approximately 22.6 MWp, (ii) four photovoltaic plants in Spain with an aggregate installed capacity of approximately 7.9 MWp and (iii) one photovoltaic plant in Israel with an installed capacity of approximately 9 MWp. In addition, the Company owns: (i) 9.375% of Dorad Energy Ltd. (hereinafter - “Dorad”), which owns an approximate 850 MWp bi-fuel operated power plant in the vicinity of Ashkelon, Israel, (ii) 51% of Groen Gas Goor B.V and of Groen Gas Oude-Tonge B.V., project companies developing anaerobic digestion plants with a green gas production capacity of approximately 375 Nm³/h, in Goor, the Netherlands and 475 Nm³/h, in Oude Tonge, the Netherlands, respectively, (iii) Talasol Solar S.L. (hereinafter – “Talasol”), which is involved in a project to construct a photovoltaic plant with a peak capacity of 300 MW in the municipality of Talaván, Cáceres, Spain (hereinafter – the “Talasol Project”), and (iv) 75% of Chashgal Elyon Ltd., Agira Sheuva Electra, L.P. and Ellomay Pumped Storage (2014) Ltd., all of which are involved in a project to construct a 156 MW pumped storage hydro power plant in the Manara Cliff, Israel.

The ordinary shares of the Company are listed on the NYSE American and on the Tel Aviv Stock Exchange (under the symbol “ELLO”). The address of the Company’s registered office is 9 Rothschild Blvd., Tel Aviv, Israel.

B. Material events in the reporting period

On May 17, 2018, five of the Company’s Italian subsidiaries (together, hereinafter – the “Subsidiaries”) entered into a euro 35.9 million project finance Facility Agreement (the “Facility Agreement”). The euro 35.9 million principal amount is divided into: (i) five term loan facilities, one for each Subsidiary, which are to be used to refinance the existing financing of the subsidiaries and for general purposes of the Subsidiaries, in the aggregate amount of euro 33.7 million with terms ending in May 2028, and (ii) five revolving facilities, one for each Subsidiary, aimed to cover financial needs for the debt service coverage in case of a liquidity shortfall of the Subsidiaries, in the aggregate amount of euro 2.2 million with terms ending in November 2027.

The loans provided under the Facility Agreement bear an annual interest rate equal to the Euribor 6 month rate plus a margin of 185 basis points. The Facility Agreement includes customary terms, including requirements to maintain financial ratios, various securities provided by the Subsidiaries and a pledge on the shares of the Subsidiaries and subordination agreement provided by Ellomay Luxemburg, the Company’s wholly-owned subsidiary and the parent company of the Subsidiaries. The Facility Agreement provides for a cross-collateralization mechanism among the Subsidiaries, whereby each Subsidiary shall guarantee each other’s obligations under the Facility Agreement and the other finance documents for a maximum guaranteed amount up to 180% of the relevant Subsidiary’s loan facility. In addition, the Company provided guarantees in connection with specific exposures, one in the amount of approximately euro 1.8 million (an amount that is gradually reduced to zero on January 1 of each of the years 2019-2021) and the second in amounts ranging between approximately euro 1.0 million up to a maximum of euro 1.5 million through the date the loans under the Facility Agreement are repaid in full.

Notes to the Condensed Consolidated Unaudited Interim Financial Statements

Note 1 - General (cont'd)**B. Material events in the reporting period (cont'd)**

In connection with the Facility Agreement, on May 29, 2018, the Subsidiaries entered into interest swap agreements effective from the first repayment date of June 2018 for an amount of approximately euro 25 million equal to 75% of the overall amount of the term loan facilities (with a decreasing notional principal amount based on the amortization table) until May 2028, replacing the Euribor 6 month rate with a fixed interest rate of 0.71%, resulting in a fixed annual interest rate of 2.56%.

In June 2018, the Company's Spanish subsidiary, Talasol, entered into an engineering, procurement & construction agreement (the "EPC Agreement") with METKA EGN Limited ("METKA EGN").

The EPC Agreement provides a fixed and lump-sum amount of euro 192.5 million for the complete execution and performance of the works defined in the EPC Agreement. The works include the engineering, procurement and construction of the Talasol Project and the ancillary facilities for injecting power into the grid, including a 400 kV step-up substation, the high voltage interconnection line to the point of connection to the grid and performance of two years of O&M services. METKA EGN is expected to complete the works under the EPC Agreement within a period of 16 months. The EPC Agreement further provides that in the event the Talasol Project does not reach financial closing within 14 months, both parties can terminate the EPC Agreement. The EPC Agreement includes additional standard provisions, including with respect to liquidated damages in connection with delays and performance, performance guarantees, suspension and termination.

In June 2018 Talasol executed a financial power swap in respect of approximately 80% of the output of the Talasol Project for a period of 10 years (the "PPA"). The power produced by the Talasol Project is expected to be sold by Talasol in the open market for the then current market power price and the PPA hedges the risks associated with fluctuating electricity market prices by allowing Talasol to secure a stable income for the power production included under the PPA. The hedge transaction becomes effective on Talasol requesting that the counter party will fix the fixed price pursuant to the price adjustment mechanism. Talasol has the right to do this at any time following the execution of the PPA and no later than 31 March 2019.

In July 2018 Talasol executed a pre-hedge transaction with Goldman Sachs International in connection with the prospective project financing for the construction of a photovoltaic plant. The pre-hedge transaction is a fixed for floating interest rate swap intended to lock-in current market floating rates. The Talasol Project is expected to be financed by a consortium led by Deutsche Bank, which is the mandated lead arranger, and the European Investment Bank (EIB). The expected leverage level is in the range of 50-60% of the total investment.

The continued development of the Talasol Project is subject to risks and uncertainties, including with respect to the occurrence of the conditions subsequent set forth in the Talasol share purchase agreement that were not met as of June 30, 2018.

Notes to the Condensed Consolidated Unaudited Interim Financial Statements

Note 2 - Basis of Preparation**A. Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and do not include all of the information required for full annual financial statements. They should be read in conjunction with the financial statements as at and for the year ended December 31, 2017 (hereinafter – “the annual financial statements”).

These condensed consolidated interim financial statements were authorized for issue on September 25, 2018.

B. Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Such judgments, estimates and assumptions are the same as those applied in the annual financial statements. Actual results may differ from these estimates.

C. Change in Presentation Currency

Effective December 31, 2017, the Company changed its presentation currency from the U.S. dollar to the euro. The Company ceased using the U.S. dollar as its presentation currency to assist investors to evaluate its financial results as the Company's functional currency is the euro and a substantial portion of its assets, revenues and liabilities is denominated in euro.

Furthermore, the change is expected to reduce the impact of the volatility of the euro/USD exchange rate on the Company's operating results. The consolidated financial statements for all prior years and interim periods presented have been translated into euro. Assets and liabilities have been translated using period end exchange rates, equity transactions have been translated using the exchange rate in effect on the date of the specific transaction or the average exchange rate during the respective period, and revenues, expenses, gains, losses, and cash flow amounts have been translated into the presentation currency using the average exchange rate during the respective period. For the convenience of the reader, the reported euro figures as of June 30, 2018 and for the period then ended, have been presented in dollars, translated at the representative rate of exchange as of June 30, 2018 (euro 1 = US\$ 1.166). The dollar amounts presented in these financial statements should not be construed as representing amounts that are receivable or payable in dollars or convertible into dollars, unless otherwise indicated.

Notes to the Condensed Consolidated Unaudited Interim Financial Statements

Note 3 - Significant Accounting Policies

A. Initial application of new standards, amendments to standards and interpretations

As from January 1, 2018 the Company applies the new standards and amendments to standards described below:

(1) IFRS 9 (2014), *Financial Instruments*

As from the first quarter of 2018 the Company applies IFRS 9 (2014), *Financial Instruments* (in this item: “the Standard” or “IFRS 9”), which replaces IAS 39, *Financial Instruments: Recognition and Measurement* (in this item “IAS 39”). Furthermore, as from that date the Company applies the amendment to IFRS 9, *Financial Instruments: Prepayment Features with Negative Compensation*. The Company has chosen to apply the Standard and the amendment to the Standard as from January 1, 2018 (in this item: “date of initial application”) without amendment of the comparative data, other than where required by the Standard with respect to certain hedging items, with an adjustment to the balance of retained earnings (accumulated deficit) and other components of equity as at the date of initial application.

The table hereunder presents the original measurement categories according to IAS 39 and the new measurement categories according to IFRS 9 with respect to the financial assets and financial liabilities of the Company as at January 1, 2018, and the effects of the transition to IFRS 9 on the opening balances of retained earnings (accumulated deficit) and other components of equity.

	Original classification according to IAS 39	New classification according to IFRS 9	Carrying amount according to IAS 39 € thousands	Carrying amount according to IFRS 9 € thousands
Financial assets				
		Fair value through profit or loss		
Loans granted to associates	Loans and receivables		11,653	11,902
Reserves and retained earnings				
Retained earnings	-	-	-	341

The Company has loans to associates that essentially form part of the net investment in the associate. These loans do not have definite repayment dates and they will be repaid only after the other debts of the associate are repaid. Such loans are in the scope of the Standard and were classified on the basis of the contractual cash flow characteristics of the financial asset. Therefore, such loans are measured at fair value through profit or loss as their contractual cash flow characteristics do not include solely payments of principal and interest. Interest income on such loans is included as part of the Company’s share of profits of equity accounted investee, and exchange rate differences and reevaluation are recorded through financing income (expenses).

Presented hereunder are the principal changes in accounting policies following application of the Standard as from January 1, 2018:

Notes to the Condensed Consolidated Unaudited Interim Financial Statements

Note 3 - Significant Accounting Policies (cont'd)**A. Initial application of new standards, amendments to standards and interpretations (cont'd)****(1) IFRS 9 (2014), *Financial Instruments* (cont'd)****Classification and measurement of financial assets*****Initial recognition and measurement***

The Company initially recognizes trade receivables and debt instruments issued on the date that they are created. All other financial assets and financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Generally, a financial asset or financial liability are initially measured at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets – classification and subsequent measurement

Financial assets are classified at initial recognition to one of the following measurement categories: amortized cost; fair value through other comprehensive income – investments in debt instruments; fair value through other comprehensive income – investments in equity instruments; or fair value through profit or loss.

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

- It is held within a business model whose objective is to hold assets so as to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows representing solely payments of principal and interest on the principal amount outstanding.

The Company has balances of trade and other receivables and deposits that are held within a business model whose objective is collecting the contractual cash flows. The contractual cash flows of these financial assets represent solely payments of principal and interest that reflects consideration for the time value of money and the credit risk. Accordingly, these financial assets are measured at amortized cost.

All financial assets not classified as measured at amortized cost or fair value through other comprehensive income as described above, as well as financial assets designated at fair value through profit or loss, are measured at fair value through profit or loss.

Financial assets – assessment of the business model

Financial assets held for trading or that are managed and whose performance is assessed on a fair value basis, are measured at fair value through profit or loss.

Notes to the Condensed Consolidated Unaudited Interim Financial Statements

Note 3 - Significant Accounting Policies (cont'd)

A. Initial application of new standards, amendments to standards and interpretations (cont'd)

(1) IFRS 9 (2014), *Financial Instruments* (cont'd)**Financial assets – assessment whether cash flows represent solely payments of principal and interest**

For the purpose of examining whether the cash flows represent solely payments of principal and interest, 'principal' is the fair value of the financial asset at initial recognition, 'interest' comprises consideration for the time value of money, for the credit risk attributable to the principal amount outstanding during a certain period of time and for other risks and basic costs of a loan, as well as a profit margin.

In its examination whether contractual cash flows represent solely payments of principal and interest, the Company examines the contractual terms of the instrument, and in this framework assesses whether the financial asset includes a contractual term that may change the timing or amount of the contractual cash flows such that it does not meet the condition. The Company takes into account the following considerations when making this assessment:

- Any contingent events that will change the timing or amount of the cash flows;
- Terms that may change the stated interest rate, including variable interest;
- Extension or early payment characteristics; and
- Terms that restrict the right of the Company to cash flows from specified assets (for example a non-recourse financial asset).

An early payment characteristic is consistent with the solely principal and interest criterion if the amount of the early payment essentially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation, received or paid, for early termination of the contract.

Financial assets – subsequent measurement and gains and losses*Financial assets at fair value through profit or loss*

These assets are subsequently measured at fair value. Net gains and losses, including interest income or dividends, are recognized in profit or loss.

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Interest income is recognized using the effective interest method. Generally, interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset. Even so, for purchased or originated credit-impaired financial assets, or financial assets that became credit-impaired after initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

Notes to the Condensed Consolidated Unaudited Interim Financial Statements

Note 3 - Significant Accounting Policies (cont'd)**A. Initial application of new standards, amendments to standards and interpretations (cont'd)****(1) IFRS 9 (2014), *Financial Instruments* (cont'd)****Impairment****Credit-impaired financial assets**

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt instruments at fair value through other comprehensive income are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Hedge accounting

The Company chose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9. The Company applies that policy to all of its hedging relationships.

(2) IFRS 15, *Revenue from Contracts with Customers*

As from January 1, 2018, the Company applies International Financial Reporting Standard 15 (hereinafter in this section "the Standard"), which provides guidance on revenue recognition. The Standard establishes two approaches to revenue recognition: at a point in time or over time. The Standard introduces a five-step model for analyzing transactions in order to determine the timing of the recognition and the amount of revenue. In addition, the Standard provides new and broader disclosure requirements than those existing today. The Company elected to apply the Standard using the cumulative effect approach.

The implementation of the Standard did not have a material effect on the financial statements, therefore the balance of retained earnings (accumulated deficit) as of January 1, 2018 was not adjusted.

According to the Standard, the Company recognizes revenue when the customer obtains control over the promised goods or services. The revenue is measured according to the amount of the consideration to which the Company expects to be entitled in exchange for the goods or services promised to the customer, other than amounts collected for third parties.

Contract asset and contract liability

A contract asset is recognized when the Group has a right to consideration for goods or services it transferred to the customer that is conditional on other than the passing of time, such as future performance of the Group. Contract assets are classified as receivables when the rights in their respect become unconditional.

A contract liability is recognized when the Group has an obligation to transfer goods or services to the customer for which it received consideration (or the consideration is payable) from the customer.

In the project accounted for using the financial asset model under IFRIC 12, at the end of the construction period the right to receive consideration for the construction services is conditional on other than the passing of time (such as current operation of the facility). Accordingly, the contract asset is not reclassified to receivables (financial asset) until the right to receive consideration is unconditional (which means classification as a contract asset until actual receipt of the consideration).

Notes to the Condensed Consolidated Unaudited Interim Financial Statements

Note 3 - Significant Accounting Policies (cont'd)

B. New standards and interpretations not yet adopted**IFRS 16, *Leases* (hereinafter in this section: “IFRS 16” or “the Standard”)**

The Standard replaces IAS 17, *Leases* and its related interpretations. The Standard's instructions annul the existing requirement from lessees to classify leases as operating or finance leases. Instead, for lessees, the Standard presents a unified model for the accounting treatment of all leases according to which the lessee has to recognize a right-of-use asset and a lease liability in its financial statements. Nonetheless, IFRS 16 includes two exceptions to the general model whereby a lessee may elect to not apply the requirements for recognizing a right-of-use asset and a liability with respect to short-term leases of up to one year and/or leases where the underlying asset has a low value.

In addition, IFRS 16 permits the lessee to apply the definition of the term lease according to one of the following two alternatives consistently for all leases: retrospective application for all the lease agreements, which means reassessing the existence of a lease for each separate contract, or alternatively, application of a practical expedient that permits continuing with the assessment made regarding existence of a lease based on the guidance in IAS 17, *Leases*, and IFRIC 4, *Determining whether an Arrangement contains a Lease*, with respect to leases entered into before the date of initial application. Furthermore, the Standard determines new and expanded disclosure requirements from those required at present.

IFRS 16 is applicable for annual periods as of January 1, 2019, with the possibility of early adoption.

IFRS 16 includes various alternative transitional provisions, so that companies can choose between one of the following alternatives at initial application consistently for all leases: full retrospective application or recognizing a cumulative effect, which means application (with the possibility of certain practical expedients) as from the mandatory effective date with an adjustment to the balance of retained earnings at that date.

The information mentioned above, constitutes an estimate of the Group based on the existing lease agreements and understanding the requirements of the standard at this stage.

The quantitative data will be included at the financial statements on the date of the initial implementation may change, inter alia, as a result of the continued formulation of accounting policy, on relevant subjects, including implementation issues and examination of the overall impact of the Standard on the financial statements.

Notes to the Condensed Consolidated Unaudited Interim Financial Statements

Note 3 - Significant Accounting Policies (cont'd)

B. New standards and interpretations not yet adopted (cont'd)**IFRS 16, *Leases* (hereinafter in this section: “IFRS 16” or “the standard”) (cont'd)****Method of application and expected effects**

The Company plans to adopt IFRS 16 as from January 1, 2019 using the cumulative effect method, with an adjustment to the balance of retained earnings as at January 1, 2019.

Expected effects:

- For leases in which the Company is the lessee and which were classified before the date of initial application as operating leases, except for when the Company has elected to apply the Standard's expedients as aforesaid, the Company has to recognize a right-of-use asset and a lease liability at initial application for all the leases that award it control over the use of identified assets for a specified period of time. These changes are expected to result in an increase of euro 4,254 thousand in the balance of right-of-use assets at the date of initial application and an increase of euro 4,254 thousand in the balance of the lease liability at the date of initial application. Accordingly, depreciation and amortization expenses will be recognized in respect of the right-of-use asset, and the need for recognizing impairment of the right-of-use asset will be examined in accordance with IAS 36. Furthermore, financing expenses will be recognized in respect of the lease liability. Therefore, as from the date of initial application, the lease expenses relating to assets leased under an operating lease, which were included in the general and administrative expenses item in the income statement, will be capitalized and depreciated in subsequent periods as a part of depreciation and amortization expenses. In addition, the discount rates used for measuring the lease liability are in the range of 2.56% to 4.57%. This range is affected by differences in the length of the lease term, differences between the various groups of assets, different discount rates of group companies, and so forth.
- The Company expects a change in principal financial ratios such as: an increase in the leverage ratio, a decrease in the interest coverage ratio and a decrease in the current ratio. The Company does not expect that its ability to satisfy financial covenants applicable to it will be affected by these changes in financial ratios.

Notes to the Condensed Consolidated Unaudited Interim Financial Statements

Note 3 - Significant Accounting Policies (cont'd)**B. New standards and interpretations not yet adopted (cont'd)****IFRS 16, *Leases* (hereinafter in this section: “IFRS 16” or “the standard”) (cont'd)****Method of application and expected effects (cont'd)**Expedients available for the Company of essentially similar assets -

Not applying the requirement to recognize a right-of-use asset and a lease liability in respect of short-term leases of up to one year.

Expedients for each separate lease

- (1) Relying on a previous assessment of whether an arrangement contains a lease in accordance with current guidance with respect to agreements that exist at the date of initial application.
- (2) Not applying the requirement to recognize a right-of-use asset and a lease liability in respect of leases where the underlying asset has a low value.
- (3) Applying a single discount rate to a portfolio of leases with reasonably similar characteristics.
- (4) Relying on a previous assessment of whether a contract is onerous in accordance with IAS 37 at the transition date, as an alternative to assessing impairment of right-of-use assets.
- (5) Excluding initial direct costs from measurement of the asset at the transition date.
- (6) Using hindsight when determining the lease term, meaning data presently available that may not have been available at the original date of entering into the agreement.

Notes to the Condensed Consolidated Unaudited Interim Financial Statements

Note 4 - Seasonality

Solar power production has a seasonal cycle due to its dependency on the direct and indirect sunlight and the effect the amount of sunlight has on the output of energy produced. Thus, low radiation levels during the winter months decrease power production.

Note 5 - Trade and Other Receivables

	December 31, 2017	June 30, 2018
	€ in thousands	
	Audited	Unaudited
Current Assets:		
Other receivables		
Government authorities	2,306	2,560
Income receivable	3,436	3,686
Interest receivable	153	189
Current tax	48	235
Current maturities of loan to an equity accounted investee	3,165	2,424
Trade receivable	407	382
Forward contracts (1)	580	724
Prepaid expenses and other	550	453
	<u>10,645</u>	<u>10,653</u>
Non-current Assets:		
Long term receivables		
Advance tax payment	1,078	854
Forward contracts (1)	12	-
Annual rent deposits	30	31
Other	415	420
	<u>1,535</u>	<u>1,305</u>

- (1) In November 2016, the Company closed euro/USD forward contracts with an accumulated profit of approximately €4,255 thousand (approximately \$4,474 thousand). Proceeds of approximately €3,076 thousand (approximately \$3,646 thousand) were received during 2017 and 2018 and the remaining proceeds of approximately €710 thousand (approximately \$828 thousand) are expected to be received between July 2018 and March 2019 (depending on the relevant dates of the forward positions). In December 2017, the Company closed euro/USD forward contracts with an accumulated loss of approximately €497 thousand (approximately \$597 thousand) and in January 2018, the Company closed euro/USD forward contracts with an accumulated loss of approximately €631 thousand (approximately \$735 thousand).

Note 6 - Investee Companies and Other Investments

Information about investee companies and other investments

A. U. Dori Energy Infrastructures Ltd. ("Dori Energy")-

The Company, through its wholly owned subsidiary, Ellomay Clean Energy Ltd. ("Ellomay Energy"), entered into an Investment Agreement (the "Dori Investment Agreement") with Amos Luzon Entrepreneurship and Energy Group Ltd. (formerly - Dori Group Ltd.) (the "Luzon Group"), and Dori Energy, with respect to an investment in Dori Energy. Dori Energy holds 18.75% of the share capital of Dorad, which owns an approximate 850 MWp bi-fuel operated power plant in the vicinity of Ashkelon, Israel (the "Dorad Power Plant"). Dorad holds production and supply licenses, both expiring in May 2034 and commenced commercial operation in May 2014.

Notes to the Condensed Consolidated Unaudited Interim Financial Statements

Note 6 - Investee Companies and Other Investments (cont'd)**Information about investee companies and other investments (cont'd)****A. U. Dori Energy Infrastructures Ltd. ("Dori Energy") - (cont'd)**

Dorad provided guarantees in favor of the Israeli Public Utilities Authority – Electricity (the "Israeli Electricity Authority"), the Israeli Electric Company and the Israel Natural Gas Lines Ltd.. These guarantees were provided through Dorad's shareholders at their proportionate holdings, as required by the financing agreements executed by Dorad. Total performance guarantees provided by Dorad amounted to approximately NIS 172,000 thousand (approximately €40,400 thousand). The Company's indirect share of guarantees Dorad provided through its shareholders is approximately NIS 16,000 thousand (approximately €3,800 thousand).

On February 14, 2018, Standard & Poor's Maalot announced that it had upgraded its rating to Dorad's senior debt. As a result of the increase in the rating and in accordance with Dorad's financing agreements with its financing corporations, the annual interest rate of Dorad's loans will be reduced by 0.4% as from July 13, 2018.

Petition to Approve a Derivative Claim filed by Dori Energy and Hemi Raphael

As more fully described in Note 6 to the annual financial statements, Dori Energy and Dori Energy's representative on Dorad's board of directors previously filed a petition (the "Petition"), for approval of a derivative action on behalf of Dorad with the Economic Department of the Tel Aviv-Jaffa District Court. The Petition was filed against Zorlu Enerji Elektrik Uretim A.S, which holds 25% of Dorad ("Zorlu"), Zorlu's current and past representatives on Dorad's board of directors and Wood Group Gas Turbines Services Ltd. ("Wood Group") and several of its affiliates, all together, the Defendants. The petition requested, inter alia, that the court instruct the Defendants to disclose and provide to Dorad documents and information relating to the contractual relationship between Zorlu and Wood Group, which included the transfer of funds from Wood Group to Zorlu in connection with the EPC agreement of the Dorad Power Plant. The statement of claim filed by Dori Energy and Mr. Hemi Raphael on behalf of Dorad against Zorlu, Mr. Edelsburg, Edelcom and Edeltech Holdings 2006 Ltd. on February 23, 2017 in the arbitration proceeding (as detailed below) included their claims included in the Petition, as amended, and a requirement that the arbitrator to obligate the defendants, jointly and severally, to pay an amount of \$183,367,953 plus interest and linkage to Dorad. In April 2017, the Defendants filed their statements of defense.

Within the said statements of defense, Zorlu attached a third party notice against Dorad, Dori Energy and the Luzon Group, in the framework of which it repeated the claims on which its defense statement was based and claimed that if the plaintiffs' claim against Zorlu was accepted and it is required to pay Dorad, it would consist a breach of the agreement between the shareholders of Dorad and in such case Zorlu will be entitled to be compensated by Dorad, Dori Energy and the Luzon Group up to the full amount of the claim. Similarly, also within its statement of defense, Edelcom filed a third party notice against Dori Energy claiming for compensation.

Notes to the Condensed Consolidated Unaudited Interim Financial Statements

Note 6 - Investee Companies and Other Investments (cont'd)

Information about investee companies and other investments (cont'd)

A. U. Dori Energy Infrastructures Ltd. ("Dori Energy") - (cont'd)

Petition to Approve a Derivative Claim filed by Dori Energy and Hemi Raphael

In November 2017, Dori Energy and Mr. Raphael filed their responses to the defendants' statements of defense and in December 2017, Dori Energy, Mr. Raphael and EAIS filed their statements of defense to the third party notices submitted by the defendants. In December 2017, Zorlu filed a request in connection with the Dori Energy statement of claim to the extent it is directed at board members serving on behalf of Zorlu and in January 2018 the arbitrator provided its ruling that the legal validity of the actions or inactions of board members of Dorad will be attributed to the entities that are shareholders of Dorad on whose behalf the relevant board member acted and the legal determinations, if any, will be directed only towards the shareholders of Dorad. During January 2018, Mr. Edelsburg, Edelcom and Zorlu filed their statement of defense in connection with the claim filed by EAIS and also filed third party notices against EAIS, Dori Energy and the Luzon Group claiming that EAIS and the Luzon Group enriched themselves at Dorad's account without providing disclosure to the other shareholders and requesting that, should the position of Dori Energy and EAIS be accepted in the main proceeding, the arbitrator, among other things, obligate EAIS to refund to Dorad all of the rent paid to date and determine that Dorad is not required to pay any rent in the future or determine that the rent fees be reduced to their market value and refund Dorad the excess amounts paid by it to EAIS, to determine that the board members that represent EAIS and Dori Energy breached their fiduciary duties towards Dorad and obligate EAIS and Dori Energy to pay the amount of \$140 million, plus interest in the amount of \$43 million, which is the amount Zorlu received for the sale of its rights under the Dorad EPC agreement, and to rule that in connection with the engineering and construction works performed by the Luzon Group, the Luzon Group and Dori Energy are required to refund to Dorad or compensate the defendants in an amount of \$24 million, plus interest and linkage and, alternatively, to determine that Mr. Edelsburg, Edelcom and Zorlu are entitled to indemnification from the third parties for the entire amount they will be required to pay. In March 2018, Zorlu and Edelcom filed requests to remove the arbitrator from her position. In April 2018 the other parties to the arbitration filed their responses (objections) to the said requests and responses were also submitted thereafter by Zorlu and Edelcom. In June 2018, the arbitrator rejected the requests for her removal from office. In July 2018, subsequent to the balance sheet date, another arbitration meeting was held, in which the parties agreed to postpone the dates set for the arbitration process, and among other things, the dates for evidentiary hearings were set for March and April 2019. In addition, in July 2018, subsequent to the balance sheet date, Edelcom and Zorlu submitted opening motions to the Tel Aviv District Court (hereinafter – the "Court") for the removal of the arbitrator from her position. The Court suggested that the parties consider entering into an agreement regarding the replacement of an arbitrator due to efficiency considerations. Dori Energy, Mr. Raphael, Ellomay Energy and EAIS have announced their opposition to this proposal, and accordingly a date has been set for the submission of their responses to the opening motion and a hearing on this matter was set for October 2018. It was further determined that the arbitrator may also submit her position.

The Company estimates (after consulting with legal counsel), that at this early stage it is not yet possible to assess the outcome of the proceeding.

The said motions to remove of the arbitrator from its position also relates to the additional proceedings further described below held in front of the same arbitrator.

Notes to the Condensed Consolidated Unaudited Interim Financial Statements

Note 6 - Investee Companies and Other Investments (cont'd)**Information about investee companies and other investments (cont'd)****A. U. Dori Energy Infrastructures Ltd. ("Dori Energy") - (cont'd)**Petition to Approve a Derivative Claim filed by Edelcom

As more fully described in Note 6 to the annual financial statements, Edelcom filed a petition for approval of a derivative action on behalf of Dorad (the "Edelcom Petition") against Ellomay Energy, the Luzon Group, Dori Energy and Dorad. The Edelcom Petition refers to an entrepreneurship agreement that was signed on November 25, 2010 between Dorad and the Luzon Group, pursuant to which the Luzon Group received payment in the amount of approximately NIS 49.4 million (approximately \$12.7 million) in consideration for management and entrepreneurship services. The Edelcom Petition claims that Dori Group breached its commitment with respect to its ownership percentage in Dorad included in the entrepreneurship agreement and requests that a derivative action be approved to recover an amount of NIS 49.4 million, plus linkage and interest, from the defendants. As noted above, on December 27, 2016, an arbitration agreement was executed pursuant to which this proceeding, as well as the proceeding mentioned above and below will be arbitrated before Judge (retired) Hila Gerstel and the proceeding before the court was deleted. On February 23, 2017, Edelcom submitted the petition to approve the derivative claim to the arbitrator.

Statement of Claim filed by Edelcom

As more fully described in Note 6 to the annual financial statements, Edelcom filed a statement of claim (the "Edelcom Claim"), with the Tel Aviv District Court against Dori Energy, Ellomay Energy, the Luzon Group, Dorad and the other shareholders of Dorad. In the Edelcom Claim, Edelcom contends that a certain section of the shareholders agreement among Dorad's shareholders (the "Dorad SHA"), contains several mistakes and does not correctly reflect the agreement of the parties. Edelcom claims that these purported mistakes were used in bad faith by the Luzon Group, Ellomay Energy and Dori Energy during 2010 in connection with the issuance of Dori Energy's shares to Ellomay Energy and that, in effect, such issuance was allegedly in breach of the restriction placed on Dorad's shares and the right of first refusal granted to Dorad's shareholders in the Dorad SHA. As noted above, on December 27, 2016, an arbitration agreement was executed pursuant to which this proceeding, as well as the two proceeding mentioned above, will be arbitrated before Judge (retired) Hila Gerstel and the proceeding before the court was deleted. On February 23, 2017, Edelcom submitted the statement of claim to the arbitrator. The Company estimates (after consulting with legal counsel), that at this early stage it is not yet possible to assess the outcome of the proceeding.

Opening Motion filed by Edelcom

As more fully described in Note 6 to the annual financial statements, Edelcom filed an opening motion with the Economic Department of the Tel Aviv-Yaffo District Court against the Luzon Group, Dori Energy and Dorad (the "Opening Motion") in connection with the Luzon Group's proposal to issue debentures secured by, among other securities, a pledge on Dori Energy's shares that are held by the Luzon Group. In the Opening Motion, Edelcom contends that the creation of the security triggers the right of first refusal mechanism included in the Dorad SHA. During January 2017, after the Luzon Group amended its prospectus to reflect the issuance of unsecured debentures, Edelcom filed a motion to stop the Opening Motion

Notes to the Condensed Consolidated Unaudited Interim Financial Statements

Note 6 - Investee Companies and Other Investments (cont'd)**Information about investee companies and other investments (cont'd)****A. U. Dori Energy Infrastructures Ltd. ("Dori Energy") - (cont'd)**

On January 5, 2017, Ellomay Energy LP filed a request to join the proceeding as the outcome of the Opening Motion may materially affect its rights. The court approved Ellomay Energy LP's request. In March 2017, the Luzon Group filed an opening motion on its behalf requesting that the court rule on the issues raised in the Opening Motion. On August 31, 2017, the Court ruled that a pledge on Dori Energy's shares held by the Luzon Group as contemplated by the Luzon Group in its prospectus governing the debentures issued by the Luzon Group does not trigger a right of first refusal to any of Dorad's shareholders. The Court further determined that Edelcom will pay legal expenses to the Luzon Group and the other parties to the proceeding. The Luzon Group noted in its filing with the Israel Securities Authority that subject to the ruling becoming final and the passing of the appeal period on this ruling, its conditional undertaking to provide a pledge on its Dori Energy shares will become effective. On October 26, 2017, Edelcom filed an appeal with respect to the ruling of the Israeli District Court with the Israeli Supreme Court. In February 2018, following the filing by the various parties of their claims and responses, a hearing was held in the Israeli Supreme Court and Edelcom withdrew the appeal and it was dismissed.

B. Waste-to-energy ("WtE") Projects in the Netherlands -**Oude Tonge Anaerobic Digestion Project-**

In April 2018, Groen Gas Oude-Tonge B.V. drew the second facility in the amount of euro 1.7 million provided under the financing agreement with Coöperatieve Rabobank U.A. The second facility has two tranches: (i) one with principal amounts of euro 1.54 million with a fixed annual interest rate of 2.9% for the first five years, for a period of 12.25 years and (ii) one with principal amounts of euro 0.16 million with a fixed annual interest rate of 3.4% for the first five years, for a period of 12.25 years, repayable in equal monthly installments commencing three months following the connection of the Project to the grid that occurred in June 2018.

Note 7 - Financial Instruments**Fair value****(1) Financial instruments measured at fair value for disclosure purposes only**

The carrying amounts of certain financial assets and liabilities, including cash and cash equivalents, trade receivables, other receivables, other short-term investments, deposits, derivatives, bank overdraft, short-term loans and borrowings, trade payables and other payables are the same or proximate to their fair value.

Notes to the Condensed Consolidated Unaudited Interim Financial Statements

Note 7 - Financial Instruments (cont'd)

Fair value (cont'd)

(1) Financial instruments measured at fair value for disclosure purposes only (cont'd)

The fair values of the other financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

June 30, 2018						
	Carrying amount	Fair value			Valuation techniques for determining fair value	Inputs used to determine fair value
		Level 1	Level 2	Level 3		
		€in thousands				
Non-current liabilities:						
Debentures	56,355	57,803	-	-	Future cash flows by the market interest rate on the date of measurement.	Discount rate of Euribor+ 2.5%, 3.2% and 3.9% Linkage to Consumer price index in Israel
Loans from banks and others (including current maturities)	68,872	-	66,799	-		
	125,227	57,803	66,799	-		
December 31, 2017						
	Carrying amount	Fair value			Valuation techniques for determining fair value	Inputs used to determine fair value
		Level 1	Level 2	Level 3		
		€in thousands				
Non-current liabilities:						
Debentures	57,631	60,518	-	-	Future cash flows by the market interest rate on the date of measurement.	Discount rate of Euribor+ 2.53% and 4.65% Linkage to Consumer price index in Israel
Loans from banks and others (including current maturities)	44,864	-	45,561	-		
Finance lease obligations (including current maturities)	4,020	-	4,209	-		
	106,515	60,518	49,770	-		

Notes to the Condensed Consolidated Unaudited Interim Financial Statements

Note 7 - Financial Instruments (cont'd)

Fair value (cont'd)

(2) Fair value hierarchy of financial instruments measured at fair value

The table below presents an analysis of financial instruments measured at fair value on the temporal basis using valuation methodology in accordance with hierarchy fair value levels. The various levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3: inputs that are not based on observable market data (unobservable inputs).

	June 30, 2018			
	Level 1	Level 2	Level 3	Total
	€in thousands			
Income receivable in connection with the Erez electricity pumped storage project	-	-	1,293	1,293
Marketable securities	-	5,569	-	5,569
Forward contracts	-	(2,040)	-	(2,040)
Swap contracts	-	(560)	-	(560)
Currency swap	-	(1,969)	-	(1,969)
Loans granted to associates	-	-	11,902	11,902
	December 31, 2017			
	Level 1	Level 2	Level 3	Total
	€in thousands			
Income receivable in connection with the Erez electricity pumped storage project	-	-	1,249	1,249
Marketable securities	-	5,412	-	5,412
Forward contracts	-	(2,650)	-	(2,650)
Swap contracts	-	(539)	-	(539)
Currency swap	-	(1,244)	-	(1,244)

There have been no transfers from any Level to another Level during the six months ended June 30, 2018.

Notes to the Condensed Consolidated Unaudited Interim Financial Statements

Note 7 - Financial Instruments (cont'd)

Fair value (cont'd)

(3) Details regarding fair value measurement at Levels 2 and 3

Income receivable in connection with the Erez electricity pumped storage project - The fair value of the income receivable in connection with the Erez electricity pumped storage project was calculated according to the cash flows expected to be received in 4.5 years following the financial closing of the project, discounted at a weighted interest rate of 2.36% reflecting the credit risk of the debtor.

Marketable securities – Market price.

Forward contracts – Fair value measured on the basis of discounting the difference between the forward price in the contract and the current forward price for the residual period until redemption using market interest rates appropriate for similar instruments, including the adjustment required for the parties' credit risks.

Swap contracts – Fair value is measured by discounting the future cash flows, over the period of the contract and using market interest rates appropriate for similar instruments, including the adjustment required for the parties' credit risks.

Currency swap – Fair value is measured by discounting the future cash flows, over the period of the contract and using market interest rates appropriate for similar instruments, including the adjustment required for the parties' credit risks.

Loans granted to associates - Fair value is measured by discounting the expected future cash flows derived from Dorad's financial model, over the period of the loan and using interest rates based on CAPM model.

Note 8 - Operating Segments

The Company presented the results of its reportable segments starting the current reporting period, in view of the Company's recent entry into additional operations such as the Bio Gas in the Netherlands resulting in separate segment reporting reviewed and analyzed by the CODM. Comparison figures were presented accordingly.

The Company's reportable segments, which form the Company's strategic business units, are described below:

- Photovoltaic power plants (PV Plants) – Operation of installations that convert the energy in sunlight into electrical energy. Approximately 22.6MWp aggregate installed capacity of photovoltaic power plants in Italy, approximately 7.9MWp aggregate installed capacity of photovoltaic power plants in Spain and a photovoltaic power plant of approximately 9 MWp installed capacity in Israel.
- Dorad Energy Ltd. (Dorad) – 9.375% indirect interest in Dorad, which owns and operates a combined cycle power plant based on natural gas, with production capacity of approximately 850 MW, located south of Ashkelon, Israel.

Notes to the Condensed Consolidated Unaudited Interim Financial Statements

Note 8 - Operating Segments (cont'd)

- Anaerobic digestion plants (Bio Gas) – 51% of Groen Gas Goor B.V. and of Groen Gas Oude-Tonge B.V., project companies developing and operating anaerobic digestion plants with a green gas production capacity of approximately 375 Nm³/h, in Goor, the Netherlands and 475 Nm³/h, in Oude Tonge, the Netherlands, respectively.
- Pumped storage hydro power plant (Manara) – 75% of a project to construct a 156 MW pumped storage hydro power plant in the Manara Cliff, Israel.

Factors that management used to identify the Company's reportable segments

The Company's strategic business units offer different products and the allocation of resources and evaluation of performance is managed separately because they require different technology.

For each of the strategic business units, the Company's chief operating decision maker (CODM) reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Company's operating segments.

The Company presented the photovoltaic power plants per geographical areas, as the information collected and analyzed by the CODM in connection with the PV Plants is presented based on the physical location of the PV Plant. The CODM reviews the Israeli Shekel denominated information on Dorad and the PV Plant located in Israel and the information presented in the tables below is translated into euro. The CODM reviews the company's share in the results of Dorad. In the reports analyzed by the CODM, the PV Plant located in Israel is presented under the fixed asset model and not under the financial asset model as per IFRIC 12.

Performance is measured based on segment gross profit as included in reports that are regularly reviewed by the chief operating decision maker. Segment gross profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Notes to the Condensed Consolidated Unaudited Interim Financial Statements

Note 8 - Operating Segments (cont'd)

Segment assets consist of current assets, fixed assets and intangible assets, as included in reports provided regularly to the chief operating decision maker.

	PV						Total reportable segments	Reconciliations	Total consolidated
	Italy	Spain	Israel	Dorad	Bio Gas	Manara			
	For the six months ended June 30, 2018								
	(Unaudited)								
	€ in thousands								
Revenues	4,830	1,472	2,001	27,718	1,391	-	37,412	(29,261)	8,151
Operating expenses	(804)	(290)	(254)	(21,742)	(1,262)	-	(24,352)	21,742	(2,610)
Depreciation expenses	(1,779)	(416)	(1,031)	(2,364)	(391)	-	(5,981)	3,214	(2,767)
Gross profit	2,247	766	716	3,612	(262)	-	7,079	(4,305)	2,774
Project development costs								(1,771)	(1,771)
General and administrative expenses								(1,977)	(1,977)
Share of profits (loss) of equity accounted investee								501	501
Other income, net								73	73
Operating Loss								(400)	(400)
Financing income								1,588	1,588
Financing income (expenses) in connection with derivatives, net								285	285
Financing expenses, net								(2,789)	(2,789)
Loss before taxes on income								(1,316)	(1,316)
Segment assets as at June 30, 2018	56,375	15,956	35,651	106,293	19,546	2,244	236,065	(19,317)	216,748

Notes to the Condensed Consolidated Unaudited Interim Financial Statements

Note 8 - Operating Segments (cont'd)

	PV						Total reportable segments	Reconciliations	Total consolidated
	Italy	Spain	Israel	Dorad	Bio Gas	Manara			
	For the six months ended June 30, 2017								
	(Unaudited)								
	€ in thousands								
Revenues	5,254	1,514	-	28,710	-	-	35,478	(28,710)	6,768
Operating expenses	(574)	(289)	-	(22,591)	-	-	(23,454)	22,591	(863)
Depreciation expenses	(1,779)	(413)	-	(2,314)	-	-	(4,506)	2,308	(2,198)
Gross profit	2,901	812	-	3,805	-	-	7,518	(3,811)	3,707
Project development costs								(1,431)	(1,431)
General and administrative expenses								(1,210)	(1,210)
Share of pro loss of equity accounted investee								(73)	(73)
Other income, net								9	9
Operating Profit								1,002	1,002
Financing income								291	291
Financing income (expenses) in connection with derivatives, net								(1,590)	(1,590)
Financing expenses, net								(4,463)	(4,463)
Loss before taxes on income								(4,760)	(4,760)
Segment assets as at June 30, 2017	62,419	17,642	-	117,372	16,916	2,446	216,795	(35,892)	180,903

Notes to the Condensed Consolidated Unaudited Interim Financial Statements

Note 8 - Operating Segments (cont'd)

	PV						Total reportable segments	Reconciliations	Total consolidated
	Italy	Spain	Israel	Dorad	Bio Gas	Manara			
For the year ended December 31, 2017									
€ in thousands									
Revenues	10,143	3,007	1,378	58,234	303	-	73,065	(59,429)	13,636
Operating expenses	(1,661)	(677)	(117)	(30,077)	(94)	-	(32,626)	30,077	(2,549)
Depreciation expenses	(3,567)	(828)	(438)	(4,817)	(111)	-	(9,761)	5,243	(4,518)
Gross profit	4,915	1,502	823	23,340	98	-	30,678	(24,109)	6,569
Project development costs								(2,739)	(2,739)
General and administrative expenses								(2,420)	(2,420)
Share of profits (loss) of equity accounted investee								1,531	1,531
Other income, net								18	18
Operating Profit								2,959	2,959
Financing income								1,333	1,333
Financing income (expenses) in connection with derivatives, net								(3,156)	(3,156)
Financing expenses, net								(7,405)	(7,405)
Loss before taxes on income								(6,269)	(6,269)
Segment assets as at December 31, 2017	59,015	47,600	37,903	114,282	16,882	2,386	278,068	(79,980)	198,088

Notes to the Condensed Consolidated Unaudited Interim Financial Statements

Note 9 - Loans and Borrowings

A. Presented hereunder are details of new loans received during the six month period ended June 30, 2018, relating to the Company's principal loans and borrowings:

Identity of borrower	Loan date	Original amount of loan	Interest Mechanism and rate	Payment date of principal	June 30, 2018	
					Face value	Carrying amount
					€ in thousands	
Five of the Company Italian subsidiaries	May 2018	33.7 million Euro	Semiannual interest rate equal to the Euribor 6 month rate plus a margin of 185 basis points	June and December 30 of each of the years 2018-2028	33,450	36,795
Less current maturities					2,825	3,434
Total material Company loans issued in the period					30,625	33,360

B. Details of loan repayments during the six-month period ended June 30, 2018 relating to the Company's principal borrowings

Two wholly owned Italian subsidiaries (Ellomay PV Five S.r.l and Ellomay PV Six S.r.l) terminated their financial leasing agreements and repaid finance lease obligations in the amount of approximately euro 4,226 thousand. In addition, one of the Company's wholly owned Italian subsidiary (Soleco S.r.l) terminated and repaid a bank loan in the amount of approximately euro 9,195 thousand.

Operating and Financial Review and Prospects

The following discussion and analysis is based on and should be read in conjunction with our unaudited condensed consolidated interim financial statements for the six month period ended June 30, 2018 furnished herewith as Exhibit 99.2 and in conjunction with our consolidated financial statements, including the related notes, and the other financial information included in our annual report on Form 20-F for the year ended December 31, 2017, or the Annual Report, filed with the Securities and Exchange Commission, or SEC, on March 29, 2018. The following discussion contains forward-looking statements that reflect our current plans, estimates and beliefs and involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and in the Annual Report.

IFRS

Our financial statements have been prepared in accordance with International Financial Reporting Standards, or IFRS, as issued by the IASB, which differ in certain respects from U.S. Generally Accepted Accounting Principles, or U.S. GAAP.

Overview

We are involved in the production of renewable and clean energy. We own seventeen PV Plants that are operating and connected to their respective national grids as follows: (i) twelve photovoltaic plants in Italy with an aggregate installed capacity of approximately 22.6 MWp, (ii) four photovoltaic plants in Spain with an aggregate installed capacity of approximately 7.9 MWp and (iii) one photovoltaic plant in Israel with an installed capacity of approximately 9 MWp. In addition, the Company owns: (i) 9.375% of Dorad Energy Ltd., or Dorad, which owns an approximate 850 MWp bi-fuel operated power plant in the vicinity of Ashkelon, Israel, (ii) 51% of Groen Gas Goor B.V and of Groen Gas Oude-Tonge B.V., project companies operating anaerobic digestion plants with a green gas production capacity of approximately 375 Nm³/h, in Goor, the Netherlands and 475 Nm³/h, in Oude Tonge, the Netherlands, respectively, (iii) Talasol Solar S.L., or Talasol, which is involved in a project to construct a photovoltaic plant with a peak capacity of 300 MW in the municipality of Talaván, Cáceres, Spain, or the Talasol Project, and (iv) 75% of Chashgal Elyon Ltd., Agira Sheuva Electra, L.P. and Ellomay Pumped Storage (2014) Ltd., all of which are involved in a project to construct a 156 MW pumped storage hydro power plant in the Manara Cliff, Israel, or the Manara Project.

The following table includes information concerning our revenues per facility:

Plant Title	Installed/ production Capacity ¹	Location	Technology of Panels	Connection to Grid	FiT (€/kWh) ²	Revenue in the six months ended June 30, 2017 (in thousands) ³	Revenue in the six months ended June 30, 2018 (in thousands) ³
“Troia 8”	995.67 kWp	Province of Foggia, Municipality of Troia, Puglia region, Italy	Fix	January 14, 2011	0.318	€290	€255
“Troia 9”	995.67 kWp	Province of Foggia, Municipality of Troia, Puglia region, Italy	Fix	January 14, 2011	0.318	€296	€262
“Del Bianco”	734.40 kWp	Province of Macerata, Municipality of Cingoli, Marche region, Italy	Fix	April 1, 2011	0.322	€197	€175
“Giachè”	730.01 kWp	Province of Ancona, Municipality of Filotrano, Marche region, Italy	Dual Axes Tracker	April 14, 2011	0.322	€249	€223
“Costantini”	734.40 kWp	Province of Ancona, Municipality of Senigallia, Marche region, Italy	Fix	April 27, 2011	0.322	€204	€189
“Massaccesi”	749.7 kWp	Province of Ancona, Municipality of Arcevia, Marche region, Italy	Dual Axes Tracker	April 29, 2011	0.322	€233	€214
“Galatina”	994.43 kWp	Province of Lecce, Municipality of Galatina, Puglia region, Italy	Fix	May 25, 2011	0.318	€254	€198

Plant Title	Installed/ production Capacity ¹	Location	Technology of Panels	Connection to Grid	FiT (€/kWh) ²	Revenue in the six months ended June 30, 2017 (in thousands) ³	Revenue in the six months ended June 30, 2018 (in thousands) ³
“Pedale (Corato)”	2,993 kWp	Province of Bari, Municipality of Corato, Puglia region, Italy	Single Axes Tracker	May 31, 2011	0.266	€900	€801
“Acquafresca”	947.6 kWp	Province of Barletta-Andria-Trani, Municipality of Minervino Murge, Puglia region, Italy	Fix	June 2011	0.268	€225	€204
“D’Angella”	930.5 kWp	Province of Barletta-Andria-Trani, Municipality of Minervino Murge, Puglia region, Italy	Fix	June 2011	0.268	€223	€204
“Soleco”	5,923.5 kWp	Province of Rovigo, Municipality of Canaro, Veneto region, Italy	Fix	August 2011	0.219	€1,083	€1,067
“Tecnoenergy”	5,899.5 kWp	Province of Rovigo, Municipality of Canaro, Veneto region, Italy	Fix	August 2011	0.219	€1,100	€1,038
“Rinconada II”	2,275 kWp	Municipality of Córdoba, Andalusia, Spain	Fix	July 2010	N/A	€436	€414
“Rodríguez I”	1,675 kWp	Province of Murcia, Spain	Fix	November 2011	N/A	€313	€306
“Rodríguez II”	2,691 kWp	Province of Murcia, Spain	Fix	November 2011	N/A	€516	€508
“Fuente Librilla”	1,248 kWp	Province of Murcia, Spain	Fix	June 2011	N/A	€249	€244

Plant Title	Installed/ production Capacity ¹	Location	Technology of Panels	Connection to Grid	FiT (€/kWh) ²	Revenue in the six months ended June 30, 2017 (in thousands) ³	Revenue in the six months ended June 30, 2018 (in thousands) ³
“Talmei Yosef” ⁴	9,400 kWp	Talmei Yosef, Israel	Fix	November 2013	0.9857 ⁵ (NIS/kWh)	N/A	€458 ⁶
“Groen Gas Goor”	475 Nm3/h	Goor, the Netherlands	N/A	November 2017	N/A	N/A	€1,203 ⁷
“Goren Gas Oude-Tonge”	375 Nm3/h	Oude-Tonge, the Netherlands	N/A	June 2018	N/A	N/A	€188 ⁸

1. The actual capacity of a photovoltaic plant is generally subject to a degradation of 0.5%-0.7% per year, depending on climate conditions and quality of the solar panels.

2. In addition to the FiT payment, our Italian PV Plants have entered into agreements with energy brokers who purchase the electricity generated by our Italian PV Plants in consideration for the contractually agreed prices.

3. These results are not indicative of future results due to various factors, including, as applicable, changes in the climate, the degradation of the solar panels and availability and quality of feedstock.

4. The acquisition of this PV Plant was consummated on October 18, 2017 and therefore revenues for the period prior to consummation of the acquisition are not reflected herein.

5. The tariff of NIS 0.9631/kWh is fixed for a period of 20 years and is updated once a year based on changes to the Israeli CPI of October 2011. The tariff increased from NIS 0.976/kWh in November 2013 to NIS 0.9857/kWh in 2017.

6. As a result of the accounting treatment of the Talmei Yosef project as a financial asset, out of total proceeds from the sale of electricity of approximately €2 million for the six months ended June 30, 2018, only revenues related to the ongoing operation of the plant in the amount of approximately €0.5 million are recognized as revenues.

7. This Facility has been operational since December 2017 and therefore revenues for the prior periods are not reflected herein.

8. This Facility has been operational since June 2018 and therefore revenues for the prior periods are not reflected herein.

Our ordinary shares are listed on the NYSE American and on the Tel Aviv Stock Exchange under the symbol ELLO. The address of our registered office is 9 Rothschild Blvd., Tel Aviv, Israel.

Presentation Currency

Effective December 31, 2017, we changed the presentation currency of our consolidated financial statements from the US dollar to the euro to better reflect the profile of our assets, revenues, costs and cash flows, which are primarily generated in euro, and hence, to better present our financial performance. All comparative financial information has been restated into euro in this Report.

Certain Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on our unaudited condensed consolidated interim financial statements, which have been prepared in accordance with IFRS. While all the accounting policies impact the financial statements, certain policies may be viewed to be critical. These policies are most important for the fair portrayal of our financial condition and results of operations and are those that require our management to make difficult, subjective and complex judgments, estimates and assumptions, based upon information available at the time that they are made, historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the condensed consolidated interim financial statements, as well as the reported amounts of expenses during the periods presented. Actual results could differ from those estimates.

The critical accounting policies described in Item 5 of our Annual Report and in notes 2 and 3 of our unaudited condensed consolidated interim financial statements as at June 30, 2018, are those that require management's more significant judgments and estimates used in the preparation of our condensed consolidated interim financial statements.

Our reportable segments, which form our strategic business units, are as follows: Photovoltaic power plants presented per geographical areas (Italy, Spain and Israel), 9.375% indirect interest in Dorad, anaerobic digestion plants (Bio Gas) in the Netherlands and pumped storage hydro power plant in Manara, Israel. For more information see note 8 of our unaudited condensed consolidated interim financial statements as at June 30, 2018.

Results of Operations

Six Months Ended June 30, 2018 Compared with Six Months Ended June 30, 2017

Revenues were approximately €8.2 million for the six months ended June 30, 2018, compared to approximately €6.8 million for the six months ended June 30, 2017. The increase in revenues for the first half of 2018 reflects the commencement of operations at our two waste-to-energy projects in the Netherlands and the results of the Talmei Yosef project, acquired in October 2017, partially offset by lower revenues in Italy due to relatively lower radiation levels compared to the first half of 2017.

Italian PV Segment. Revenues from our Italian PV segment were approximately €4.8 million for the six months ended June 30, 2018, compared to approximately €5.3 million for the six months ended June 30, 2017. The decrease is mainly due to relatively lower radiation levels compared to the first half of 2017.

Spanish PV Segment. Revenues from our Spanish PV segment were approximately €1.5 million for each of the six month periods ended June 30, 2018 and 2017.

Israeli PV Segment. The segment results for our PV Plant located in Israel are presented under the fixed asset model and not under the IFRIC 12 financial asset model as applied in our financial statements. Proceeds for electricity produced by our Israeli PV segment were approximately €2 million for the six months ended June 30, 2018, compared to 0 for the six months ended June 30, 2017, as the Talmei Yosef project was acquired in October 2017.

Dorad Segment. Our share in the revenues of Dorad was approximately €27.7 million (approximately NIS 118.1 million) for the six months ended June 30, 2018, compared to approximately €28.7 million (approximately NIS 113.6 million) for the six months ended June 30, 2017. The increase in Dorad's NIS denominated revenues is mainly due to increased electricity production sold to Dorad's customers for the six months ended June 30, 2018. The decrease in Dorad's revenues translated into euro is a result of the increase of the euro/NIS exchange rate during the six months ended June 30, 2018 (average euro/NIS exchange rate of 4.2592) compared to the six months ended June 30, 2017 (average euro/NIS exchange rate of 3.9554).

Netherlands Biogas Segment. Revenues from our Netherlands biogas segment were approximately €1.4 million for the six months ended June 30, 2018, compared to 0 for the six months ended June 30, 2017. The increase is due to the commencement of operations of our two waste-to-energy projects in the Netherlands during December 2017 and June 2018.

Operating expenses were approximately €2.6 million for the six months ended June 30, 2018, compared to approximately €0.9 million for the six months ended June 30, 2017. The increase in operating expenses is mainly attributable to additional operating expenses resulting from the commencement of operations at our two waste-to-energy projects in the Netherlands and from the Talmei Yosef project. Depreciation expenses were approximately €2.8 million for the six months ended June 30, 2018, compared to approximately €2.2 million for the six months ended June 30, 2017.

Italian PV Segment. Operating expenses in connection with our Italian PV segment were approximately €0.8 million for the six months ended June 30, 2018, compared to approximately €0.6 million for the six months ended June 30, 2017. The increase is mainly due to insurance indemnification received in 2017 by one of our Italian subsidiaries that partially offset the operating expenses.

Spanish PV Segment. Operating expenses in connection with our Spanish PV segment were approximately €0.3 million for each of the six month periods ended June 30, 2018 and 2017.

Israeli PV Segment. Operating expenses in connection with our Israeli PV segment were approximately €0.3 million for the six months ended June 30, 2018, compared to 0 for the six months ended June 30, 2017. The increase is due to the acquisition of the Talmei Yosef project in October 2017.

Dorad Segment. Operating expenses in connection with our Dorad segment were approximately €21.7 million (approximately NIS 92.6 million) for the six months ended June 30, 2018, compared to approximately €22.6 million (approximately NIS 89.4 million) for the six months ended June 30, 2017. The increase in Dorad's NIS denominated operating expenses is mainly due to increased production and an increase in the price of natural gas resulting from an increase in the USD/NIS exchange rate during the six months ended June 30, 2018 (USD/NIS exchange rate as of June 30, 2018 was 3.65 compared to 3.496 as of June 30, 2017). The decrease in Dorad's operating expenses translated into euro is a result of the increase of the euro/NIS exchange rate during the six months ended June 30, 2018 (average euro/NIS exchange rate of 4.2592) compared to the six months ended June 30, 2017 (average euro/NIS exchange rate of 3.9554).

Netherlands Biogas Segment. Operating expenses in connection with our Netherlands biogas segment were approximately €1.3 million for the six months ended June 30, 2018, compared to 0 for the six months ended June 30, 2017. The increase is due to the commencement of operations of our two waste-to-energy projects in the Netherlands during December 2017 and June 2018.

Project development costs were approximately €1.8 million for the six months ended June 30, 2018, compared to approximately €1.4 million for the six months ended June 30, 2017. The increase in project development costs is mainly attributable to consultancy expenses in connection with the Talasol Project.

General and administrative expenses were approximately €2 million for the six months ended June 30, 2018, compared to approximately €1.2 million for the six months ended June 30, 2017. The increase in general and administrative expenses resulted mainly from payment of approximately €0.4 million pursuant to a VAT assessment agreement from previous years in Israel and related expenses and from increased expenses resulting from the commencement of operations of our two waste-to-energy projects in the Netherlands and from the Talmei Yosef project.

Our share of profits of equity accounted investee, after elimination of intercompany transactions, was approximately €0.5 million for the six months ended June 30, 2018, compared to a loss of approximately €0.07 million in the six months ended June 30, 2017. The increase in the Company's share of profit of equity accounted investee is mainly attributable to an increase in sales of electricity by Dorad due to increased production and lower financing expenses incurred by Dorad for the six months ended June 30, 2018 as a result of the CPI indexation of loans from banks and related parties.

Financing expenses, net was approximately €0.9 million for the six months ended June 30, 2018, compared to approximately €5.8 million for the six months ended June 30, 2017. The decrease in financing expenses was mainly due to: (i) a profit of approximately €0.3 million for the six months ended June 30, 2018 in connection with the reevaluation of derivatives, compared to a loss of approximately €1.6 million for the six months ended June 30, 2017, and (ii) income in connection with exchange rate differences amounting to approximately €0.7 million in the six months ended June 30, 2018, mainly in connection with our NIS denominated Debentures and the loan to an equity accounted investee, caused by the 2.5% revaluation of the euro against the NIS during this period, compared to expenses in connection with the exchange rate differences amounting to approximately €2.8 million caused by the 1.4% devaluation of the euro against the NIS during the six months ended June 30, 2017.

Tax benefit was approximately €0.2 million for the six months ended June 30, 2018, compared to taxes on income of approximately €0.6 million for the six months ended June 30, 2017. The tax benefit for the six months ended June 30, 2018 resulted mainly from deferred tax income included in connection with the application of a tax incentive in the Netherlands claimable upon filing the relevant tax return by reducing the amount of taxable profit.

Net loss was approximately €1.1 million for the six months ended June 30, 2018, compared to approximately €5.4 million for the six months ended June 30, 2017.

Total other comprehensive loss was approximately €1 million for the six months ended June 30, 2018, compared to a profit of approximately €0.7 million for the six months ended June 30, 2017. The change was mainly due to changes in fair value of cash flow hedges and from foreign currency translation differences on New Israeli Shekel denominated operations, as a result of fluctuations in the euro/NIS exchange rates.

Total comprehensive loss was approximately €2.2 million for the six months ended June 30, 2018, compared to approximately €4.7 million for the six months ended June 30, 2017.

Impact of Inflation and Fluctuation of Currencies

We hold cash and cash equivalents, marketable securities and restricted cash in various currencies, mainly in euro and NIS. Our investments in our Italian and Spanish PV Plants, in the Waste-to-Energy projects in the Netherlands and in the Talasol Project are denominated in euro and our investments in Dori Energy, in the Talmei Yosef PV Plant and in the Manara Project are denominated in NIS. Our Debentures are denominated in NIS and the interest and principal payments are made in NIS, the financing of the Talmei Yosef PV Plant is denominated in NIS and the financing we have obtained in connection with five of our PV Plants is denominated in euro and bears interest that is based on EURIBOR rate. Due to the change in our presentation currency, effective December 31, 2017, from the U.S. dollar to the euro, we translated past financial results into euro as more fully described in note 2 to our unaudited condensed consolidated interim financial statements as at June 30, 2018. We therefore are affected by changes in the prevailing euro/NIS exchange rates. We cannot predict the rate of appreciation/depreciation of the NIS against the euro in the future, and whether these changes will have a material adverse effect on our finances and operations.

The table below sets forth the annual and semi-annual rates of appreciation (or depreciation) of the NIS against the Euro.

	Year ended December 31,		Six months ended June 30,	
	2017	2016	2018	2017
Appreciation (Depreciation) of the NIS against the Euro	2.7%	(4.8)%	2.5%	(1.4)%

The semi-annual rate of inflation in Israel was 0.9% in the six months ended June 30, 2018, compared to an inflation rate of approximately 0% in the six months ended June 30, 2017.

The representative NIS/euro exchange rate was NIS 4.255 for one euro on June 30, 2018 and NIS 3.986 for one euro on June 30, 2017. The average exchange rates for converting NIS to euro during the six-month periods ended June 30, 2018 and 2017 were NIS 4.259 and 3.965 for one euro, respectively. The exchange rate as of September 1, 2018 was NIS 4.212 for one euro.

Governmental Economic, Fiscal, Monetary or Political Policies or Factors that have or could Materially Affect our Operations or Investments by U.S. Shareholders

Governmental Regulations Affecting the Operations of our PV Plants and Waste-to-Energy facilities

Our PV Plants and Waste-to-Energy facilities are subject to comprehensive regulation and the revenue from the sale of energy produced includes mainly the incentives in the form of governmental subsidies. Any change in the legislation that affects our facilities could materially adversely affect our results of operations. A continued economic crisis in Europe and specifically in Italy, Spain and the Netherlands could cause the applicable legislature to reduce benefits provided to operators of electricity or energy manufacturing facilities or to revise the incentive regimes that currently governs the sale of electricity in the relevant countries.

For more information see “Item 3.D: Risk Factors - Risks Related to or Renewable Energy Operations,” “Item 3.D: Risk Factors - Risks Related to our Investment in Dori Energy,” “Item 3.D: Risk Factors - Risks Related to our Other Operations” and “Item 4.B: Material Effects of Government Regulations on the PV Plants” of our Annual Report.

Effective Israeli Corporate Tax Rate

Israeli companies are generally subject to company tax on their taxable income. The Israeli corporate tax rate was reduced from 26.5% to 25% as of January 1, 2016. On December 22, 2016, the Knesset plenum passed the Economic Efficiency Law (Legislative Amendments for Achieving Budget Objectives in the Years 2017 and 2018) – 2016, by which, inter alia, the corporate tax rate would be reduced from 25% to 23% in two steps. The first step was a rate of 24% as from January 2017 and the second step was a rate of 23% as from January 2018.

Liquidity and Capital Resources

As of September 1, 2018, we held approximately €47.5 million in cash and cash equivalents, approximately €5.4 million in marketable securities and approximately €2.2 million in restricted short-term and long-term cash and marketable securities.

Although we now hold the aforementioned funds, we may need additional funds if we seek to acquire certain new businesses and operations and if we seek to advance large development projects that require substantial funds. If we are unable to raise funds through public or private financing of debt or equity, we will be unable to fund certain projects, investments or business combinations that could ultimately improve our financial results. We cannot ensure that additional financing will be available on commercially reasonable terms or at all.

We entered into various financing agreements in connection with the financing of our PV Plants and in January and June 2014 we issued the Series A Debentures and in March 2017 we issued the Series B Debentures. The Talmei Yosef PV Plant has project financing as well. For more information concerning the various financing agreements we entered into and our Debentures, please refer to Item 5 of our Annual Report. In addition, in May 2018 five of our Italian subsidiaries entered into a €35.9 million project finance facility agreement, and a portion of the proceeds was used to repay certain outstanding project finance debts. For more information see note 1.B. and note 9 of our unaudited condensed consolidated interim financial statements as at June 30, 2018.

We currently have no agreements, commitments or understandings for additional financing, however we intend to finance the remainder of our PV Plants by bank loans or other means of financing and will require additional funds in order to advance the Talasol Project and the Manara Project.

As of June 30, 2018, we had working capital of approximately €50 million. In our opinion, our working capital is sufficient for our present requirements.

We currently invest our excess cash in cash and cash equivalents that are highly liquid and in marketable securities.

As of June 30, 2018, we held approximately €45.6 million in cash and cash equivalents, approximately €2.2 million in marketable securities and approximately €5.4 million in restricted marketable securities, short-term and long-term restricted cash and deposits, compared with approximately €24 million in cash and cash equivalents, approximately €2.2 million in marketable securities and approximately €6.9 million in restricted marketable securities, short-term and long-term restricted cash and deposits we held at December 31, 2017. The increase in cash and cash equivalents mainly resulted from the financing of five of our Italian PV Plants in May 2018.

From 2015 through September 1, 2018, we made capital expenditures of an aggregate amount of approximately NIS 48.6 million (approximately €1.4, based on the NIS/euro exchange rate as of June 30, 2018) in connection with the acquisition of the Talmei Yosef PV Plant. Our aggregate capital expenditure in connection with the acquisition of shares in U. Dori Energy Infrastructure Ltd., including the exercise of options to acquire additional shares of U. Dori Energy during 2015 and 2016, which increased our percentage holding to 50%, before principal loan repayments from Dori Energy, is approximately NIS 135.6 million (approximately €31.9 million, based on the NIS/euro exchange rate as of June 30, 2018). The aggregate capital expenditures in connection with the Manara Project, including amounts recorded in the general and administrative expenses, through September 1, 2018 were approximately NIS 19.9 million (approximately €4.7 million). From 2016 through September 1, 2018, capital expenditures incurred by the project companies in connection with the Waste-to-Energy projects in the Netherlands was approximately €8.3 million.

Cash flows

The following table summarizes our cash flows for the periods presented:

	Six months ended June 30,	
	2017	2018
	(euro in thousands)	
Net cash from operating activities	593	2,267
Net cash used in investing activities	(18,933)	(289)
Net cash from financing activities	35,834	19,774
Exchange differences on balances of cash and cash equivalents	(1,836)	(104)
Increase in cash and cash equivalents	15,658	21,648
Cash and cash equivalents at beginning of period	22,486	23,962
Cash and cash equivalents at end of period	38,144	45,610

Operating activities

In the six months ended June 30, 2018, we had a net loss of approximately €1.1 million. Net cash from operating activities was approximately €2.3 million.

In the six months ended June 30, 2017, we had a net loss of approximately €5.4 million. Net cash from operating activities was approximately €0.6 million.

Investing activities

Net cash used in investing activities was approximately €0.3 million in the six months ended June 30, 2018, primarily due to the acquisition of fixed assets in connection with the Waste-to-Energy projects in the Netherlands partially offset by proceeds from restricted cash, settlement of derivatives and the repayment of loan from an equity accounted investee.

Net cash used in investing activities was approximately €18.9 million in the six months ended June 30, 2017, primarily due to the acquisition of fixed assets in connection with the Waste-to-Energy projects in the Netherlands and advances on account of investments in the Talmei Yosef Project and the Talasol Project.

Financing activities

Net cash from financing activities in the six months ended June 30, 2018 was approximately €19.8 million, resulting mainly from an amount of €33.7 million withdrawn on account of the facility agreement executed by five of our Italian subsidiaries, partially offset by the termination and early repayment of leasing agreements in the amount of approximately euro €4.2 million by two of our Italian subsidiaries and the termination and early repayment of a bank loan in the amount of approximately euro €0.2 million by an additional Italian subsidiary.

Net cash from financing activities in the six months ended June 30, 2017 was approximately €5.8 million, resulting mainly from the proceeds received in connection with the issuance of our Series B Debentures during March 2017 in the aggregate amount of approximately €31.2 million (based on the euro/NIS exchange rate at the time of issuance) and bank loans received in connection with the financing of the Waste-to-Energy projects in the Netherlands.

As of June 30, 2018, we were not in default of any financial covenants under the various financing agreements we executed or under the Deeds of Trust for our Debentures.

As of June 30, 2018, our total current assets amounted to approximately €64.4 million, of which approximately €45.6 million was in cash and cash equivalents and approximately €2.2 million was in marketable securities, compared with total current liabilities of approximately €14.4 million. Our assets held in cash equivalents are held in money market accounts and short-term deposits, substantially all of which are highly liquid investments readily convertible to cash with original maturities of three months or less at the date acquired.

As of June 30, 2017, our total current assets amounted to approximately €42.6 million, of which approximately €24 million was in cash and cash equivalents and approximately €2.2 million was in marketable securities, compared with total current liabilities of approximately €11.3 million.

The increase in our cash balance is mainly attributable to the proceeds received in connection with the facility agreement executed by five of our Italian subsidiaries.

Contractual Obligations

As of June 30, 2018, except as detailed above there have been no material changes to the contractual obligations we disclosed in our Annual Report.

Disclosure about Market Risk

We are exposed to a variety of risks, including foreign currency fluctuations and changes in interest rates. We regularly assess currency and interest rate risks to minimize any adverse effects on our business as a result of those factors and periodically use hedging transactions in order to attempt to limit the impact of such changes.

We hold cash and cash equivalents, marketable securities and restricted cash in various currencies, including euro and NIS. Our holdings in the Italian and Spanish PV Plants and in the Netherlands WtE Projects are denominated in euro and our holdings in the Talmei Yosef PV Plant and in Dori Energy are denominated in NIS. The financing we have in connection with our PV Plants and the WtE Projects is denominated in euro and the financing we have in connection with our PV Plants bears interest that is based on EURIBOR rate. Our Debentures and the project finance debt of the Talmei Yosef PV Plant are denominated in NIS and are to be repaid (principal and interest) in NIS.

Inflation and Fluctuation of Currencies

As detailed in our Annual Report, we previously utilized forward transactions to manage the foreign exchange risk resulting from our euro based operations and we entered into two Cross Currency Swap transactions in connection with the issuance of our Series B Debentures.

Interest Rate

As detailed in our Annual Report, we utilize interest rate swap derivatives to convert certain floating-rate debt to fixed-rate debt. Our interest rate swap derivatives involve an agreement to pay a fixed-rate interest and receive a floating-rate interest, at specified intervals, calculated on an agreed notional amount that matches the amount of the original loan and paid on the same installments and maturity dates. In the future, we may enter into additional interest rate swaps or other derivatives contracts to further hedge our exposure to fluctuations in interest rates.

For more information concerning hedging transaction, including transactions entered into in connection with the facility agreement executed by five of our Italian subsidiaries, see note 1.B and note 7 of our unaudited condensed consolidated interim financial statements as at June 30, 2018.

Forward-Looking Statements

With the exception of historical facts, the matters discussed in this report and the financial statements attached hereto are forward-looking statements. Forward-looking statements may relate to, among other things, future actions, future performance generally, business development activities, future capital expenditures, strategies, the outcome of contingencies such as legal proceedings, future financial results, financing sources and availability and the effects of regulation and competition. When we use the words “believe,” “intend,” “expect,” “may,” “will,” “should,” “anticipate,” “could,” “estimate,” “plan,” “predict,” “project,” or their negatives, or other similar expressions, the statements which include those words are usually forward-looking statements. When we describe strategy that involves risks or uncertainties or include statements that do not relate strictly to historical or current facts, we are making forward-looking statements.

Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Please see Item 3.D. “Risk Factors” in our Annual Report, in which we have identified important factors that, individually or in the aggregate, could cause actual results and outcomes to differ materially from those contained in any forward-looking statements made by us; any such statement is qualified by reference to the following cautionary statements. You should understand that it is not possible to predict or identify all risk factors. Consequently, you should not consider the said section to be a complete discussion of all potential risks or uncertainties. Readers are cautioned not to place undue reliance on these forward-looking statements.

We warn you that forward-looking statements are only predictions. Actual events or results may differ as a result of risks that we face. Forward-looking statements speak only as of the date they were made and we undertake no obligation to update them.